

## Revenue Review Meeting

March 15, 2007

# **AGENDA**

## **REVENUE REVIEW MEETING**

**March 15, 2007**



- ❖ **OTHER AGENCY REVENUES**
- ❖ **2005-07 BIENNIUM**
- ❖ **2007-09 BIENNIUM**
- ❖ **BACKGROUND**
- ❖ **ADOPTION OF THE OFFICIAL FORECAST**

**General Fund-State Cash Estimates - Other Agencies**  
**Comparison of March 2007 to November 2006 Forecast**  
**2005-07 Biennium**  
**(Amounts in Millions)**

<b>Source/Agency</b>	<b>November 2006 Baseline</b>	<b>Non-Economic Changes</b>	<b>Forecast Changes</b>	<b>March 2007 Baseline</b>	<b>Total Changes</b>
Department of Licensing	\$41.2	\$0.0	\$0.1	\$41.3	\$0.1
Insurance Commissioner Insurance Premiums	\$492.9	\$0.0	-\$0.4	\$492.5	-\$0.4
Liquor Control Board Liquor Profits and Fees	\$99.5	\$0.0	\$0.5	\$100.0	\$0.5
Beer and Wine Surtax	\$4.2	\$0.0	\$0.0	\$4.2	\$0.0
Lottery Commission Lottery Revenue	\$9.5	\$0.0	\$0.0	\$9.5	\$0.0
State Treasurer Interest Earnings	\$150.6	\$0.0	\$11.0	\$161.7	\$11.0
Office of Financial Management Other Agencies	\$36.8	\$0.0	\$4.2	\$40.9	\$4.2
<b>Total General Fund-State</b>	<b>\$834.6</b>	<b>\$0.0</b>	<b>\$15.3</b>	<b>\$850.0</b>	<b>\$15.3</b>

**General Fund-State Cash Estimates - Other Agencies**  
**Comparison of March 2007 Baseline to Alternative Forecasts**  
**2005-07 Biennium**  
**(Amounts in Millions)**

<b>Source/Agency</b>	<b>Optimistic</b>	<b>Baseline</b>	<b>Pessimistic</b>
Department of Licensing	\$41.9	\$41.3	\$40.6
Insurance Commissioner Insurance Premiums	\$498.7	\$492.5	\$486.2
Liquor Control Board Liquor Profits and Fees	\$101.0	\$100.0	\$99.0
Beer and Wine Surtax	\$4.3	\$4.2	\$4.2
Lottery Commission Lottery Revenue	\$9.5	\$9.5	\$9.5
State Treasurer Interest Earnings	\$170.4	\$161.7	\$154.2
Office of Financial Management Other Agencies	\$46.4	\$40.9	\$35.4
<b>Total General Fund-State</b>	<b>\$872.1</b>	<b>\$850.0</b>	<b>\$829.1</b>
Change from 03/07 Baseline	\$22.2		-\$20.9
Change from 11/06 Baseline	\$37.5	\$15.3	-\$5.6

**General Fund-State GAAP Estimates - Other Agencies**  
**Comparison of March 2007 to November 2006 Forecast**  
**2005-07 Biennium**  
**(Amounts in Millions)**

<b>Source/Agency</b>	<b>November 2006 Baseline</b>	<b>Non-Economic Changes</b>	<b>Forecast Changes</b>	<b>March 2007 Baseline</b>	<b>Total Changes</b>
Department of Licensing	\$42.4	\$0.0	\$0.1	\$42.5	\$0.1
Insurance Commissioner Insurance Premiums	\$492.9	\$0.0	-\$0.4	\$492.5	-\$0.4
Liquor Control Board Liquor Profits and Fees	\$99.5	\$0.0	\$0.5	\$100.0	\$0.5
Beer and Wine Surtax	\$4.2	\$0.0	\$0.0	\$4.2	\$0.0
Lottery Commission Lottery Revenue	\$7.6	\$0.0	\$0.0	\$7.6	\$0.0
State Treasurer Interest Earnings	\$152.8	\$0.0	\$12.1	\$164.8	\$12.1
Office of Financial Management Other Agencies	\$36.8	\$0.0	\$4.2	\$40.9	\$4.2
<b>Total General Fund-State</b>	<b>\$836.1</b>	<b>\$0.0</b>	<b>\$16.4</b>	<b>\$852.5</b>	<b>\$16.4</b>

**General Fund-State GAAP Estimates - Other Agencies**  
**Comparison of March 2007 Baseline to Alternative Forecasts**  
**2005-07 Biennium**  
**(Amounts in Millions)**

<b>Source/Agency</b>	<b>Optimistic</b>	<b>Baseline</b>	<b>Pessimistic</b>
Department of Licensing	\$43.1	\$42.5	\$41.8
Insurance Commissioner Insurance Premiums	\$498.7	\$492.5	\$486.2
Liquor Control Board Liquor Profits and Fees	\$101.0	\$100.0	\$99.0
Beer and Wine Surtax	\$4.3	\$4.2	\$4.2
Lottery Commission Lottery Revenue	\$9.5	\$7.6	\$7.6
State Treasurer Interest Earnings	\$176.5	\$164.8	\$154.9
Office of Financial Management Other Agencies	47.9	40.9	33.9
<b>Total General Fund-State</b>	<b>\$881.0</b>	<b>\$852.5</b>	<b>\$827.5</b>
Change from 03/07 Baseline	\$28.5		-\$24.9
Change from 11/06 Baseline	\$44.8	\$16.4	-\$8.6

**General Fund-State Cash Estimates - Other Agencies**  
**Comparison of March 2007 to November 2006 Forecast**  
**2007-09 Biennium**  
**(Amounts in Millions)**

Source/Agency	November 2006 Baseline	Non-Economic Changes	Forecast Changes	March 2007 Baseline	Total Changes
Department of Licensing	\$44.2	\$0.0	\$0.0	\$44.2	\$0.0
Insurance Commissioner Insurance Premiums	\$544.3	\$0.0	\$0.6	\$544.9	\$0.6
Liquor Control Board Liquor Profits and Fees	\$95.1	\$0.0	\$1.0	\$96.2	\$1.0
Beer and Wine Surtax	\$4.9	\$0.0	\$0.0	\$4.9	\$0.0
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$135.8	\$0.0	\$5.4	\$141.2	\$5.4
Office of Financial Management Other Agencies	\$17.3	\$0.0	\$4.8	\$22.0	\$4.8
Total General Fund-State	\$841.6	\$0.0	\$11.8	\$853.4	\$11.8

**General Fund-State Cash Estimates - Other Agencies**  
**Comparison of March 2007 Baseline to Alternative Forecasts**  
**2007-09 Biennium**  
**(Amounts in Millions)**

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$45.5	\$44.2	\$42.9
Insurance Commissioner Insurance Premiums	\$558.6	\$544.9	\$531.3
Liquor Control Board Liquor Profits and Fees	\$98.1	\$96.2	\$94.2
Beer and Wine Surtax	\$5.0	\$4.9	\$4.8
Lottery Commission Lottery Revenue	\$7.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$205.9	\$141.2	\$86.5
Office of Financial Management Other Agencies	\$34.5	\$22.0	\$9.5
Total General Fund-State	\$954.5	\$853.4	\$769.2
Change from 03/07 Baseline	\$101.1		-\$84.2
Change from 11/06 Baseline	\$112.9	\$11.8	-\$72.4

**General Fund-State GAAP Estimates - Other Agencies**  
**Comparison of March 2007 to November 2006 Forecast**  
**2007-09 Biennium**  
**(Amounts in Millions)**

Source/Agency	November 2006 Baseline	Non-Economic Changes	Forecast Changes	March 2007 Baseline	Total Changes
Department of Licensing	\$46.9	\$0.0	\$0.0	\$46.9	\$0.0
Insurance Commissioner Insurance Premiums	\$544.3	\$0.0	\$0.6	\$544.9	\$0.6
Liquor Control Board Liquor Profits and Fees	\$95.1	\$0.0	\$1.0	\$96.2	\$1.0
Beer and Wine Surtax	\$4.9	\$0.0	\$0.0	\$4.9	\$0.0
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$134.3	\$0.0	\$4.5	\$138.8	\$4.5
Office of Financial Management Other Agencies	\$17.3	\$0.0	\$4.8	\$22.0	\$4.8
Total General Fund-State	\$842.7	\$0.0	\$10.9	\$853.6	\$10.9

**General Fund-State GAAP Estimates - Other Agencies**  
**Comparison of March 2007 Baseline to Alternative Forecasts**  
**2007-09 Biennium**  
**(Amounts in Millions)**

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$48.3	\$46.9	\$45.4
Insurance Commissioner Insurance Premiums	\$558.6	\$544.9	\$531.3
Liquor Control Board Liquor Profits and Fees	\$98.1	\$96.2	\$94.2
Beer and Wine Surtax	\$5.0	\$4.9	\$4.8
Lottery Commission Lottery Revenue	\$10.2	\$0.0	\$0.0
State Treasurer Interest Earnings	\$203.4	\$138.8	\$84.1
Office of Financial Management Other Agencies	36.0	22.0	8.0
Total General Fund-State	\$959.6	\$853.6	\$767.9
Change from 03/07 Baseline	\$105.9		-\$85.7
Change from 11/06 Baseline	\$116.8	\$10.9	-\$74.8

# Summary of Changes to the General Fund-State Cash Forecast

Comparison of the March 2007 and the November 2006 Forecasts

2005-07 and 2007-09 Biennia

Millions of Dollars

	November 2006 Forecast <sup>1</sup>	March 2007 Forecast Change	March 2007 Non-economic Changes	March 2007 Forecast	Total Change
2005-07 Biennium	\$27,365.8	\$144.3	\$0.0	\$27,510.1	\$144.3
2007-09 Biennium	\$29,533.3	(\$17.8)	0.0	\$29,515.5	(\$17.8)
<b>Total Change: 05-07 &amp; 07-09 Biennia</b>		<b>\$126.5</b>	<b>\$0.0</b>		<b>\$126.5</b>

1: Adopted by the Forecast Council November 2006

**Changes to the General Fund-State Cash Forecast-by Agency**  
Comparison of the March 2007 to the November 2007 Forecast  
2005-07 Biennium  
Millions of Dollars

	<u>Nov. 2006 Forecast<sup>1</sup></u>	<u>March 2007 Forecast Change</u>	<u>March 2007 Non-economic Changes</u>	<u>March 2007 Forecast</u>	<u>Total Change*</u>
Department of Revenue	\$26,531.1	\$129.0	\$0.0	\$26,660.1	\$129.0
All other Agencies	\$834.6	\$15.3	\$0.0	\$850.0	\$15.3
Total General Fund-State*	<b>\$27,365.8</b>	<b>\$144.3</b>	<b>\$0.0</b>	<b>\$27,510.1</b>	<b>\$144.3</b>

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\*Detail may not add to totals due to rounding.

1: Adopted by the Forecast Council November 2006



**Department of Revenue General Fund Forecast**  
**2005-07 Biennium; Cash Forecast**  
**Comparison of the March 2007 to the November 2006 Forecast**  
**Millions of Dollars**

<b>Source</b>	<b>November 2006 Forecast-1</b>	<b>Non-Economic Change</b>	<b>Forecast Change</b>	<b>March 2007 Baseline</b>	<b>Total Change</b>
Retail Sales	\$14,088.7	\$0.0	\$18.7	\$14,107.4	\$18.7
Business & Occupation	4,971.8	0.0	43.5	5,015.3	43.5
Use	962.1	0.0	8.3	970.4	8.3
Public Utility	660.7	0.0	8.7	669.4	8.7
Tobacco Products	16.4	0.0	(2.1)	14.3	(2.1)
Penalty & Interest	269.0	0.0	14.0	283.0	14.0
Revenue Act Subtotal	20,968.7	0.0	91.0	21,059.8	91.0
Liquor Sales/Liter	283.0	0.0	0.0	283.0	0.0
PUD Privilege	80.1	0.0	(0.2)	79.9	(0.2)
Cigarette	104.1	0.0	(0.2)	103.9	(0.2)
Property (State School Levy)	2,791.2	0.0	3.9	2,795.1	3.9
Inheritance/Estate	7.3	0.0	0.0	7.3	0.0
Leasehold Excise	45.4	0.0	0.2	45.6	0.2
Fish Excise	4.1	0.0	0.3	4.4	0.3
Real Estate Excise	1,883.7	0.0	39.3	1,923.0	39.3
other	345.6	0.0	(4.9)	340.6	(4.9)
Non Revenue Act Subtotal	5,544.6	0.0	38.4	5,583.0	38.4
State Share- Timber Ex.	17.8	0.0	(0.5)	17.4	(0.5)
<b>Total DOR General Fund</b>	<b>\$26,531.1</b>	<b>\$0.0</b>	<b>\$129.0</b>	<b>26,660.1</b>	<b>\$129.0</b>

1-Adopted by the Forecast Council, November 2006

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**March 2007**

Cash Basis

Alternative Forecasts

2005-07 Biennium

Millions of Dollars

	<u>2005-07 Biennium</u>	<u>Difference From the March 2007 Baseline</u>
March 2007 Baseline ( 50%)	\$27,510	
March 2007 Alternative Forecasts		
Optimistic (25 %)	\$27,691	\$181
Pessimistic (25 %)	\$27,322	(\$188)
GCEA*	\$27,487	(\$23)

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\* Based on the Governor's Council of Economic Advisors Assumptions.

**General Fund-State Cash Forecast**  
**Summary of March 2007 Changes to GFS Forecast**  
**2005-07 Biennium**  
**Millions of Dollars**

	Collection Experience: Nov. 11 - March 10, 2007			Remainder of the Biennium (3/11/2007 - 6/30/07)		Total Change 2005-07 Biennium
	Actual Variance*	Special Factors <sup>1</sup>	Variance Excluding Special Factors	Forecast Change	Other <sup>2</sup>	
Revenue Act**	\$63.4	36.7	\$26.7	27.6	0.0	\$91.0
Non Revenue Act	\$4.5	0.0	\$4.5	0.1	33.4	\$37.9
Property tax	\$1.8		\$1.8	2.1	0.0	\$3.9
Real estate ex. tax	\$3.6		\$3.6	2.4	33.4	\$39.3
Cigarette	(\$0.5)		(\$0.5)	0.3		(\$0.2)
other	(\$0.4)		(\$0.4)	(4.7)	0.0	(\$5.1)
Department of Revenue Subtotal	\$67.9	\$36.7	\$31.2	\$27.7	\$33.4	\$129.0
Department of Licensing	\$0.3		\$0.3	(\$0.2)		\$0.1
Lottery	0.0		\$0.0	(\$0.0)		\$0.0
All other	#N/A		#N/A	\$15.3	0	\$15.3
<b>Total General Fund-State</b>	<b><u>\$68.2</u></b>	<b><u>\$36.7</u></b>	<b><u>\$31.5</u></b>	<b><u>\$42.8</u></b>	<b><u>\$33.4</u></b>	<b><u>\$144.3</u></b>

\*Variance since the last (November 2006) forecast (Nov. 11 - March 10, 2007.)

\*\*Retail sales, business & occupation, use, public utilities and tobacco products taxes and penalties & interest.

1-Unusually large audit payments.

2-Unusually large payment expected,

# 2005-07 Biennial Balance Sheet Including Enacted 2006 Supplemental Budget

General Fund-State Dollars in Millions

<b>RESOURCES</b>	
<b>Beginning Fund Balance</b>	<b>869.7</b>
November 2006 Forecast	27,365.8
March 2007 Update	144.3
<b>Current Revenue Totals</b>	<b>27,510.1</b>
Legislatively-enacted fund transfers and other adjustments	151.0
<b>Total Resources (Includes Fund Balance)</b>	<b>28,530.8</b>
<b>APPROPRIATIONS AND SPENDING ESTIMATES</b>	
2005-07 Appropriations	27,297.9
Military National Guard Call-out	0.2
<b>Spending Level</b>	<b>27,298.1</b>
<b>UNRESTRICTED RESERVES</b>	
Projected General Fund Ending Balance	<b>1,232.7</b>
<b>EMERGENCY RESERVE FUND</b>	
<b>Beginning Fund Balance</b>	<b>0.0</b>
Spillover to ERF	49.1
Estimated Interest Earnings	1.3
Transfers and Appropriations	0.0
<b>Projected Ending Fund Balance</b>	<b>50.4</b>
<b>TOTAL RESERVES</b>	
<b>Combined General and Emergency Reserve Projected Ending Fund Balance</b>	<b>1,283.1</b>

# Track Record for the 2005-07 General Fund-State Cash Forecast

February 2004 through March 2007

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2004****</b>	<b>\$24,293</b>	<b>\$660</b>				<b>\$24,953</b>
<b>Changes to Forecast</b>						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005	327	14	341	159 #4	499	25,385
September 2005	631	15	646	0	646	26,031
November 2005	306	24	330	(25) #5	305	26,336
February 2006	138	21	159	(52) #6	107	26,443
June 2006	511	7	518	6 #7	524	26,967
September 2006	315	35	350	-	350	27,317
November 2006	40	9	49	-	49	27,366
March 2007	129	15	144	-	144	27,510
<b>Total change***:</b>						
From February 2004	2,854	177	3,031	(474)	2,557	
Percent change	11.7%	26.8%	12.1%	-1.9%	10.2%	

\* Excludes legislative, judicial, statutorily required or other major non-economic changes.

\*\* Includes legislative, judicial, statutorily required or other major non-economic changes.

\*\*\* Detail may not add to total due to rounding.

\*\*\*\* First official forecast for the 2005-07 biennium.

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

#3 Impact of the state Supreme Court decision invalidating the estate tax and lowering the b&O rate on certain meat products

#4 Impact of 2005 legislation, budget driven revenue on the GFS forecast (+\$353.8 million) and shift refunds associated with the two recent court decisions from fy 2005 to fy 2006 (-\$195.0 million)

#5 The combined impact of I-900 on GFS revenue, revision to the impact of the Agrilink court case on GFS revenue, an accounting adjustment and the impact of a 2003 tax law change.

#6 The Department of Revenue has determined that under current law the insurance industry is exempt from sales tax on telephone services. Impact includes on-going and refunds.

#7 Impact of 2006 legislation on GFS revenue in the 2005-07 biennium.

**Changes to the General Fund-State Cash Forecast-by Agency**  
Comparison of the March 2007 to the November 2006 Forecast  
2007-09 Biennium  
Millions of Dollars

	<u>Nov. 2006 Forecast<sup>1</sup></u>	<u>March 2007 Forecast Change</u>	<u>March 2007 Non-economic Changes</u>	<u>March 2007 Forecast</u>	<u>Total Change*</u>
Department of Revenue	\$28,691.6	(\$29.5)	\$0.0	\$28,662.1	(\$29.5)
All other Agencies	\$841.6	\$11.8	\$0.0	\$853.4	\$11.8
Total General Fund-State*	<b>\$29,533.3</b>	<b>(\$17.8)</b>	<b>\$0.0</b>	<b>\$29,515.5</b>	<b>(\$17.8)</b>

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\*Detail may not add to totals due to rounding.

1: Adopted by the ERFC November 2006.

**Department of Revenue General Fund Forecast**  
**2007-09 Biennium; Cash Forecast**  
**Comparison of the March 2007 to the November 2006 Forecast**  
**Millions of Dollars**

<b>Source</b>	<b>November 2006 Forecast<sup>1</sup></b>	<b>Non-Economic Change</b>	<b>Forecast Change</b>	<b>March 2007 Baseline</b>	<b>Total Change</b>
Retail Sales	\$15,479.1	\$0.0	\$7.6	\$15,486.7	\$7.6
Business & Occupation	\$5,468.0	0.0	(14.1)	5,453.8	(14.1)
Use	\$1,080.4	0.0	(2.9)	1,077.5	(2.9)
Public Utility	\$706.8	0.0	2.8	709.6	2.8
Tobacco Products	\$18.2	0.0	0.2	18.4	0.2
Penalty & Interest	\$272.6	0.0	0.8	273.5	0.8
Revenue Act Subtotal	\$23,025.1	0.0	(5.6)	23,019.4	(5.6)
Liquor Sales/Liter	\$306.0	0.0	-	306.0	0.0
PUD Privilege	\$89.5	0.0	(0.0)	89.5	(0.0)
Cigarette	\$102.0	0.0	(0.1)	101.9	(0.1)
Property (State School Levy)	\$3,018.5	0.0	(2.3)	3,016.1	(2.3)
Inheritance/Estate	\$0.5	0.0	0.5	1.0	0.5
Leasehold Excise	\$49.4	0.0	0.5	50.0	0.5
Fish Excise	\$4.6	0.0	0.6	5.3	0.6
Real Estate Excise	\$1,773.3	0.0	(16.6)	1,756.7	(16.6)
other	\$305.8	0.0	(5.3)	300.6	(5.3)
Non Revenue Act Subtotal	\$5,649.8	0.0	(22.7)	5,627.1	(22.7)
State Share- Timber Ex.	\$16.8	0.0	(\$1.2)	15.6	(1.2)
<b>Total DOR General Fund</b>	<b>\$28,691.6</b>	<b>\$0.0</b>	<b>(\$29.5)</b>	<b>28,662.1</b>	<b>(\$29.5)</b>

1-Adopted by the Forecast Council November 2006.

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**March 2007**

Cash Basis

Alternative Forecasts

2007-09 Biennium

Millions of Dollars

	<u>2007-09 Biennium</u>	<u>Difference From the March 2007 Baseline</u>
March 2007 Baseline (50%)	\$29,516	
March 2007 Alternative Forecasts		
Optimistic (25 %)	\$30,990	\$1,475
Pessimistic (25%)	\$27,908	(\$1,608)
GCEA*	\$29,281	(\$235)

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\* Based on the Governor's Council of Economic Advisors Assumptions.



# Track Record for the 2007-09 General Fund-State Cash Forecast

February 2006 through March 2007

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2006****</b>	<b>\$28,180</b>	<b>\$848</b>				<b>\$29,028</b>
<b>Changes to Forecast</b>						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62	-	62	29,526
November 2006	4	3	8	-	8	29,533
March 2007	(30)	12	(18)	-	(18)	29,516
June 2007						
September 2007						
November 2007						
February 2008						
<b>Total change***:</b>						
From February 2006	582	18	600	(112)	488	
Percent change	2.1%	2.1%	2.1%	-0.4%	1.7%	

\* Excludes legislative, judicial, statutorily required or other major non-economic changes.

\*\* Includes legislative, judicial, statutorily required or other major non-economic changes.

\*\*\* Detail may not add to total due to rounding.

\*\*\*\* First official forecast for the 2007-09 biennium.

#1 Change to the forecast due to 2006 legislation.

# Revenue Act Collection Growth Compared to Personal Income Growth

Percent Change from Year-ago Quarter\*\*

Quarter	Revenue Act*	March 2007	
		Personal Income	Elasticity
94:4	7.0%	5.6%	1.2
95:1	4.2%	6.8%	0.6
95:2	6.4%	5.2%	1.2
95:3	4.0%	5.2%	0.8
95:4	2.9%	4.1%	0.7
96:1	6.1%	6.4%	1.0
96:2	4.0%	7.3%	0.5
96:3	5.6%	8.0%	0.7
96:4	4.2%	8.5%	0.5
97:1	9.5%	8.0%	1.2
97:2	10.1%	7.6%	1.3
97:3	8.0%	7.0%	1.1
97:4	9.4%	7.4%	1.3
98:1	3.2%	8.8%	0.4
98:2	4.3%	9.0%	0.5
98:3	7.9%	9.8%	0.8
98:4	5.8%	8.7%	0.7
99:1	7.5%	7.4%	1.0
99:2	6.9%	5.3%	1.3
99:3	6.6%	6.6%	1.0
99:4	6.5%	9.4%	0.7
00:1	8.6%	10.0%	0.9
00:2	6.3%	9.0%	0.7
00:3	3.9%	5.9%	0.7
00:4	5.2%	3.4%	1.5
01:1	2.7%	1.1%	2.5
01:2	1.3%	5.1%	0.3
01:3	-2.4%	3.6%	(0.7)
01:4	-2.5%	2.2%	(1.1)
02:1	-2.3%	2.8%	(0.8)
02:2	-0.6%	0.8%	(0.7)
02:3	2.3%	2.4%	1.0
02:4	0.3%	2.1%	0.1
03:1	-0.1%	1.1%	(0.1)
03:2	1.6%	2.4%	0.7
03:3	3.9%	3.9%	1.0
03:4	3.8%	3.6%	1.1
04:1	5.5%	3.6%	1.5
04:2	5.2%	4.2%	1.2
04:3	6.2%	3.5%	1.8
04:4	8.2%	5.2%	1.6
05:1	9.4%	6.0%	1.6
05:2	9.8%	4.6%	2.1
05:3	12.0%	5.9%	2.0
05:4	9.4%	6.3%	1.5
06:1	12.0%	7.4%	1.6
06:2	10.8%	7.0%	1.5
06:3	9.1%	7.3%	1.2
06:4	7.7%	6.2%	1.2

Ave: 94:4 to 2006:4:

0.9

\*Revenue Act collections consists of state retail sales, business & occupation, use, public utility and tobacco product taxes well as penalties and interest payments. Growth of net collections, excluding the impact of new legislation and unusually large audit payments, refunds or credits.

## Growth Rates of Major Excise Taxes and Economic Drivers

### Percent Change from the Year-Ago Level

	Employment	Personal Income		Revenue Act*	
		Nominal	Real	Nominal	Real
1994:1	2.1	4.8	2.8	7.1	5.1
1994:2	2.0	4.7	2.8	5.0	3.1
1994:3	1.8	5.4	3.0	4.5	2.1
1994:4	2.5	5.6	3.3	6.7	4.3
1995:1	2.5	6.8	4.3	3.8	1.4
1995:2	2.3	5.2	2.8	5.8	3.3
1995:3	1.7	5.2	3.3	5.3	3.3
1995:4	0.9	4.1	2.2	1.3	-0.6
1996:1	1.8	6.4	4.2	5.4	3.3
1996:2	2.3	7.3	5.1	4.0	1.9
1996:3	3.2	8.0	5.8	6.2	3.9
1996:4	4.4	8.5	6.0	6.5	4.0
1997:1	3.9	8.0	5.7	8.8	6.5
1997:2	4.3	7.6	5.7	8.0	6.2
1997:3	4.1	7.0	5.3	7.8	6.1
1997:4	4.0	7.4	6.1	10.0	8.7
1998:1	3.7	8.8	7.9	3.7	2.8
1998:2	3.4	9.0	8.1	7.4	6.5
1998:3	3.1	9.8	8.8	6.6	5.6
1998:4	2.7	8.7	7.7	6.8	5.8
1999:1	2.4	7.4	6.2	7.6	6.4
1999:2	1.7	5.3	3.7	6.0	4.4
1999:3	2.0	6.6	4.6	6.8	4.9
1999:4	2.0	9.4	7.1	5.4	3.3
2000:1	2.6	10.0	7.1	9.1	6.3
2000:2	2.7	9.0	6.3	7.1	4.4
2000:3	2.0	5.9	3.4	5.5	3.0
2000:4	2.0	3.4	1.1	4.9	2.6
2001:1	0.9	1.1	-1.1	3.4	1.2
2001:2	0.1	5.1	2.7	0.4	-1.9
2001:3	-0.6	3.6	1.5	-1.9	-3.9
2001:4	-2.1	2.2	0.5	-1.3	-3.0
2002:1	-2.6	2.8	1.7	-2.6	-3.7
2002:2	-2.2	0.8	-0.4	-0.6	-1.8
2002:3	-1.3	2.4	0.9	1.1	-0.4
2002:4	-0.4	2.1	0.3	0.4	-1.4
2003:1	0.1	1.1	-1.2	-0.3	-2.6
2003:2	-0.0	2.4	0.6	1.8	-0.0
2003:3	0.0	3.9	1.9	4.5	2.5
2003:4	0.4	3.6	1.7	3.6	1.7
2004:1	0.7	3.6	1.6	7.2	5.1
2004:2	1.7	4.2	1.4	7.2	4.3
2004:3	1.8	3.5	0.9	6.4	3.6
2004:4	2.3	5.2	2.1	8.9	5.7
2005:1	2.7	6.0	3.2	9.3	6.4
2005:2	2.7	4.6	1.9	9.6	6.9
2005:3	2.8	5.9	2.7	10.3	7.0
2005:4	2.9	6.3	3.1	9.6	6.3
2006:1	3.2	7.4	4.3	10.2	6.9
2006:2	3.0	7.0	3.6	10.2	6.7
2006:3	2.9	7.3	4.4	9.3	6.3
2006:4	2.6	6.2	4.2	8.0	6.0
2007:1	2.5	5.4	3.6	5.2	3.4
2007:2	2.4	5.9	4.6	3.7	2.4
2007:3	2.5	7.4	6.1	3.5	2.2
2007:4	2.4	7.0	5.0	5.0	3.0
2008:1	2.2	6.9	4.7	5.4	3.2
2008:2	2.3	6.8	4.7	6.0	3.8
2008:3	2.3	7.0	4.9	6.0	3.9
2008:4	2.3	6.8	4.6	5.8	3.6
2009:1	2.2	6.8	4.6	5.6	3.4
2009:2	2.1	6.8	4.6	5.4	3.3

\* Based on Revenue Act tax liability (constant rate/base). Deflator for real growth is the personal consumption deflator. Revenue Act consists of the sales, use, B& O, and public utilities taxes.

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**Analysis for the Major Sources Based on Taxable Activity**

Revenue Act Sources

March 2007 Baseline Forecast

Source/Fiscal	Percentage Change		Personal Income	
	Tax Base Adjusted*	Personal Income-1	Elasticity**	
I. Retail Sales				
	1988	8.0	7.3	1.1
	1989	10.9	9.7	1.1
	1990	13.7	10.5	1.3
	1991	5.7	8.9	0.6
	1992	6.6	6.6	1.0
	1993	4.2	6.9	0.6
	1994	6.3	4.3	1.4
	1995	4.7	5.8	0.8
	1996	3.6	5.8	0.6
	1997	7.1	8.0	0.9
	1998	7.3	8.1	0.9
	1999	7.1	7.8	0.9
	2000	7.4	8.8	0.8
	2001	3.1	3.9	0.8
	2002	-0.6	2.4	-0.3
	2003	2.3	2.0	1.2
	2004	5.1	3.8	1.4
	2005	7.9	4.8	1.6
	2006	9.8	6.7	1.5
	2007	6.2	6.2	1.0
	2008	5.0	7.0	0.7
	2009	5.8	6.9	0.8
II. Business & Occupation				
	1988	10.6	7.3	1.5
	1989	9.4	9.7	1.0
	1990	14.3	10.5	1.4
	1991	6.3	8.9	0.7
	1992	6.4	6.6	1.0
	1993	3.5	6.9	0.5
	1994	2.0	4.3	0.5
	1995	6.8	5.8	1.2
	1996	4.5	5.8	0.8
	1997	9.0	8.0	1.1
	1998	7.2	8.1	0.9
	1999	7.2	7.8	0.9
	2000	5.5	8.8	0.6
	2001	3.0	3.9	0.8
	2002	-3.4	2.4	-1.4
	2003	-2.4	2.0	-1.2
	2004	6.6	3.8	1.7
	2005	9.9	4.8	2.1
	2006	11.4	6.7	1.7
	2007	8.0	6.2	1.3
	2008	5.4	7.0	0.8
	2009	5.2	6.9	0.8

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**Analysis for the Major Sources Based on Taxable Activity**

Revenue Act Sources

March 2007 Forecast

\*

Source/Fiscal	Percentage Change		Personal Income Elasticity**	
	Tax Base Adjusted*	Personal Income-1		
III. Use				
	1988	5.3	7.3	0.7
	1989	12.8	9.7	1.3
	1990	14.6	10.5	1.4
	1991	9.8	8.9	1.1
	1992	-0.9	6.6	-0.1
	1993	6.8	6.9	1.0
	1994	7.0	4.3	1.6
	1995	5.8	5.8	1.0
	1996	8.2	5.8	1.4
	1997	5.5	8.0	0.7
	1998	6.8	8.1	0.8
	1999	0.8	7.8	0.1
	2000	10.3	8.8	1.2
	2001	8.2	3.9	2.1
	2002	-8.2	2.4	-3.5
	2003	-7.8	2.0	-3.9
	2004	7.7	3.8	2.0
	2005	12.6	4.8	2.6
	2006	1.5	6.7	0.2
	2007	8.8	6.2	1.4
	2008	6.3	7.0	0.9
	2009	6.8	6.9	1.0

## IV. Public Utility

1988	3.2
1989	0.7
1990	-1.4
1991	7.1
1992	0.0
1993	9.5
1994	13.6
1995	6.5
1996	1.4
1997	1.4
1998	4.0
1999	4.7
2000	7.2
2001	15.4
2002	0.5
2003	-2.0
2004	7.5
2005	6.8
2006	10.2
2007	6.5
2008	4.4
2009	4.7

\* Based on constant base taxable data.

\*\* Percent changes in taxable activity relative to percent change in personal income.

1 Income adjusted to exclude special dividend payment in fy 05.

**Electronic Filers\***  
**Excise tax payments: January 2007 compared to January 2006 activity**  
**Same Taxpayers\*\*; Thousands of Dollars**

		tax payment 2/11/06-3/10/06		tax payment 2/11/07-2/28, 07						Dist by Industry
<u>Naisc/Sector</u>		<u>Amt Paid</u>	<u>Count**</u>	<u>Amt Paid</u>	<u>Count</u>	<u>Amt Paid</u> <u>diff</u>	<u>%diff</u>	<u>Count</u> <u>diff</u>		
441	Motor vehicles & parts	\$70,955	818	\$75,746	818	\$4,792	6.8%	0	10.1%	
442	furniture and home furnishings	11,890	301	11,398	301	(492)	-4.1%	0	1.5%	
443	Electronics & appliances	17,105	336	17,067	336	(37)	-0.2%	0	2.3%	
444	Build. Mat./garden equip.	30,396	445	27,611	445	(2,785)	-9.2%	0	3.7%	
445	Food & beverage stores	15,362	584	16,963	584	1,601	10.4%	0	2.3%	
446	Drug & health stores	7,650	179	8,427	179	777	10.2%	0	1.1%	
447	Gas stations & convenience stores	6,479	398	7,006	398	527	8.1%	0	0.9%	
448	Apparel & accessories	15,348	327	17,609	327	2,262	14.7%	0	2.4%	
451	Sporting goods,toys,books,music	9,564	290	10,199	290	635	6.6%	0	1.4%	
452	General merchandise stores	57,347	67	66,406	67	9,059	15.8%	0	8.9%	
453	Miscellaneous retailers	17,992	889	19,692	889	1,699	9.4%	0	2.6%	
454	Nonstore retailers	8,800	239	10,816	239	2,016	22.9%	0	1.4%	
<b>44-45</b>	<b>Sub total: Retail Trade</b>	<b>268,889</b>	<b>4,873</b>	<b>288,941</b>	<b>4,873</b>	<b>20,052</b>	<b>7.5%</b>	<b>-</b>	<b>38.7%</b>	
11	Agriculture,forestry,fishing	689	85	537	85	(153)	-22.2%	0	0.1%	
21	Mining	773	41	586	41	(187)	-24.1%	0	0.1%	
22	Utilities	33,473	212	41,150	212	7,677	22.9%	0	5.5%	
23	Construction	87,448	3,674	96,140	3,674	8,692	9.9%	0	12.9%	
31-33	Manufacturing	40,739	1,183	40,058	1,183	(681)	-1.7%	0	5.4%	
42	Wholesale trade	67,697	2,161	75,541	2,161	7,844	11.6%	0	10.1%	
48-49	Transportation & Warehousing	5,113	254	5,568	254	454	8.9%	0	0.7%	
51	Information	42,363	407	43,455	407	1,093	2.6%	0	5.8%	
52	Finance, Insurance	15,358	451	18,690	451	3,333	21.7%	0	2.5%	
53	Real Estate, Rental & leasing	17,967	555	19,051	555	1,084	6.0%	0	2.5%	
54	Professional, scientific & Tech. services	19,360	1,370	19,827	1,370	466	2.4%	0	2.7%	
55-62	Management,education & health services	34,739	1,989	36,358	1,989	1,619	4.7%	0	4.9%	
71	Arts, Entertainment & Recreation	5,295	310	5,187	310	(109)	-2.0%	0	0.7%	
72	Accommodation & food services	43,463	2,699	45,161	2,699	1,698	3.9%	0	6.0%	
81	Other services	10,281	1,154	10,661	1,154	380	3.7%	0	1.4%	
92,99,00	Public Administration & all other	603	44	477	44	(126)	-20.9%	0	0.1%	
<b>Total: All Industries</b>		<b>\$694,250</b>	<b>21,462</b>	<b>\$747,387</b>	<b>21,462</b>	<b>\$53,136</b>	<b>7.7%</b>	<b>-</b>	<b>100.0%</b>	
<b>Addendum:</b>										
	Retail trade & Food services	303,531	7,233	324,425	7,233	20,894	6.9%	0	43.4%	
	Non retail trade & food services	390,720	14,229	422,962	14,229	32,243	8.3%	0	56.6%	
	Accommodations	8,821	339	9,677	339	856	9.7%	0	1.3%	
	Retail trade & food service-except auto	232,576	6,415	248,678	6,415	16,102	6.9%	0	33.3%	
<b>Construction Related</b>		<b>147,701</b>	<b>4,975</b>	<b>154,199</b>	<b>4,975</b>	<b>6,498</b>	<b>4.4%</b>		<b>20.6%</b>	
<b>Excluding Construction related</b>		<b>546,549</b>	<b>16,487</b>	<b>593,187</b>	<b>16,487</b>	<b>46,638</b>	<b>8.5%</b>		<b>79.4%</b>	

\*Electronic payments of EFT taxpayers and ELF taxpayers (includes some non electronic payments of EFT taxpayers.)

\*\*taxpayers with January 2007 tax liability received via electronic payment 2/11/07-2/28/07 who also paid in the 2/11/06-3/10/06 period.

# Key Washington Economic Variables

	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment, %Ch	1.6	2.8	2.9	2.5	2.3	2.0
Manufacturing Employment, %Ch	-1.3	3.4	4.8	1.8	0.3	0.2
Aerospace Employment, %Ch	-5.8	6.8	11.6	6.8	3.1	0.3
Other Manufacturing Employment, %Ch	0.2	2.4	2.7	0.0	-0.7	0.1
Software Employment, %Ch	5.1	5.1	9.1	10.0	7.5	6.4
Construction Employment, %Ch	5.1	8.0	9.9	2.2	1.0	0.5
Service-Producing, %Ch	1.7	2.4	2.2	2.6	2.6	2.4
Unemployment Rate	6.3	5.5	4.9	5.2	5.3	5.4
Real Personal Income, %Ch	4.1	0.1	4.1	4.8	4.7	4.6
Seattle CPI, %Ch	1.2	2.8	3.7	2.8	2.6	2.3
Population, %Ch	1.3	1.6	1.9	2.0	1.8	1.7
Housing Units Authorized by Permit, %Ch	17.0	5.8	-5.3	-6.6	4.7	-2.1

## Annual Average Employment Growth 2000-2006

	2000		2001		2002		2003		2004		2005		2006	
	Increase (000)	% Chg.	Increase (000)	% Chg.	Increase (000)	% Chg.	Increase (000)	% Chg.	Increase (000)	% Chg.	Increase (000)	% Chg.	Increase (000)	% Chg.
<b>Washington</b>														
Total Nonfarm	61.4	2.3%	-11.5	-0.4%	-43.4	-1.6%	3.4	0.1%	43.3	1.6%	76.1	2.8%	81.4	2.9%
Natural Resources and Mining	-0.6	-5.4%	-0.2	-2.2%	-0.4	-4.5%	-0.7	-7.6%	0.5	5.6%	-0.2	-1.9%	-0.3	-3.1%
Construction	6.9	4.5%	-1.8	-1.1%	-4.6	-2.9%	2.0	1.3%	7.9	5.1%	13.2	8.0%	17.7	10.0%
Manufacturing	-11.5	-3.3%	-15.7	-4.7%	-31.1	-9.8%	-18.0	-6.3%	-3.4	-1.3%	8.9	3.4%	13.2	4.8%
Wholesale Trade	1.9	1.6%	-1.5	-1.2%	-4.1	-3.4%	0.4	0.3%	3.3	2.8%	2.9	2.4%	4.5	3.7%
Retail Trade	9.9	3.2%	-3.5	-1.1%	-6.4	-2.0%	0.5	0.2%	3.4	1.1%	6.8	2.2%	5.2	1.7%
Transportation, Warehousing and Utilities	1.1	1.2%	-3.0	-3.2%	-4.0	-4.4%	-0.5	-0.5%	1.9	2.1%	2.4	2.7%	1.9	2.0%
Information	12.5	14.6%	1.4	1.4%	-5.4	-5.5%	-1.3	-1.4%	0.6	0.6%	1.9	2.0%	4.0	4.3%
Financial Activities	0.4	0.3%	2.9	2.0%	1.0	0.7%	5.8	4.0%	-0.1	-0.1%	2.7	1.8%	1.8	1.2%
Professional and Business Services	17.6	6.1%	-6.9	-2.3%	-6.7	-2.3%	0.1	0.0%	11.4	3.9%	14.4	4.8%	13.5	4.3%
Education and Health Services	7.9	2.8%	8.9	3.1%	8.6	2.9%	6.0	1.9%	6.8	2.2%	9.6	3.0%	7.9	2.4%
Leisure and Hospitality	4.7	1.9%	-4.7	-1.9%	-1.7	-0.7%	3.6	1.4%	6.6	2.7%	7.9	3.1%	8.3	3.1%
Other Services	1.7	1.6%	-9.3	-8.8%	0.9	0.9%	1.2	1.2%	1.3	1.3%	2.5	2.5%	1.3	1.3%
Federal Government	2.3	3.4%	-2.0	-2.8%	1.3	1.9%	1.0	1.4%	-0.4	-0.6%	-0.2	-0.3%	-0.5	-0.8%
State and Local Government Non-Educational	1.9	1.0%	23.4	12.1%	3.4	1.6%	1.6	0.7%	2.3	1.0%	1.2	0.6%	2.6	1.2%
State and Local Government Education	4.9	2.2%	0.7	0.3%	6.0	2.7%	1.9	0.8%	1.2	0.5%	2.0	0.9%	0.3	0.1%

### Seattle MSA

Total Nonfarm	29.7	2.2%	-17.5	-1.3%	-47.4	-3.4%	-15.4	-1.1%	11.9	0.9%	35.8	2.7%	46.2	3.4%
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### Washington Excluding Seattle

Total Nonfarm	31.7	2.5%	6.0	0.5%	4.0	0.3%	18.8	1.4%	31.4	2.4%	40.3	2.9%	35.2	2.5%
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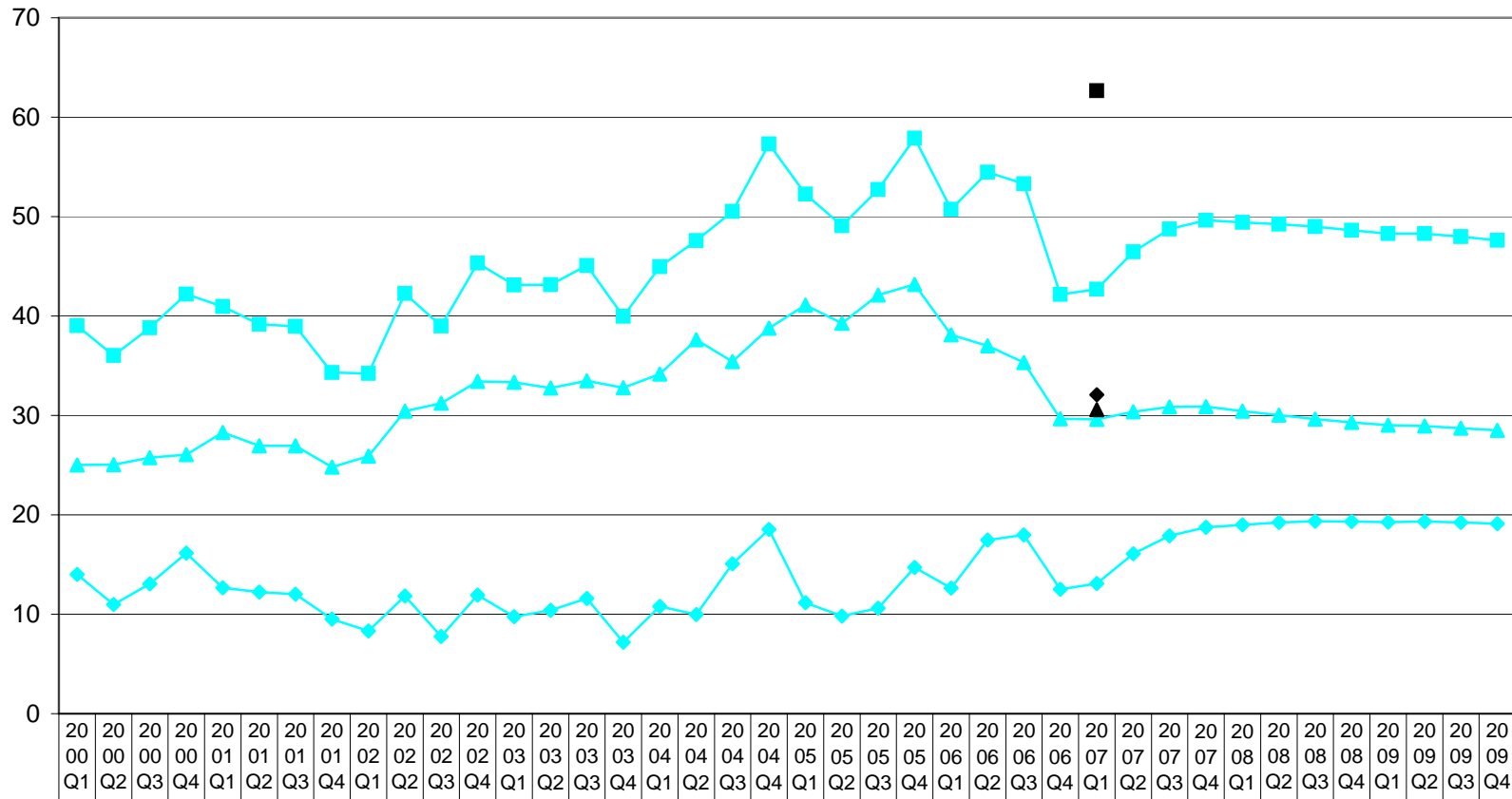
**Year-Over-Year Employment Growth by Industry  
(January 2006 to January 2007)  
Washington vs. U.S.**

	<b>Washington</b>		<b>U.S</b>
	<b>(000)</b>	<b>% Chg.</b>	<b>% Chg.</b>
<b>Total</b>	<b>73.1</b>	<b>2.6%</b>	<b>1.6%</b>
Software Publishers	5.0	11.7%	NA
Aerospace Product and Parts Manufacturing	6.0	8.5%	NA
Construction	11.4	6.0%	1.1%
Professional and Business Services	17.3	5.4%	3.0%
Information Excluding Software	2.6	4.9%	NA
Transportation, Warehousing and Utilities	3.6	3.8%	2.0%
Education and Health Services	9.2	2.8%	2.6%
Retail Trade	7.4	2.3%	-0.3%
Wholesale Trade	2.7	2.2%	1.5%
Leisure and Hospitality	5.3	2.0%	3.4%
Manufacturing Excluding Aerospace	3.3	1.6%	NA
Other Services	1.3	1.3%	-0.1%
Financial Activities	0.4	0.3%	1.8%
Government Non-Education	0.0	0.0%	0.6%
Government Education	-1.6	-0.7%	1.7%
Natural Resources and Mining	-0.8	-9.1%	5.2%
Information	7.6	7.9%	0.3%
Manufacturing	9.3	3.3%	-0.9%

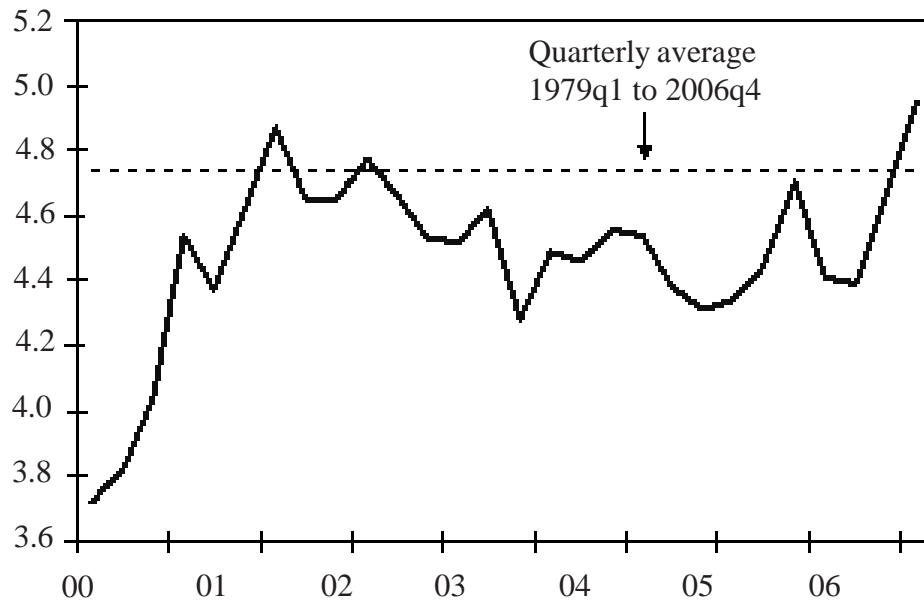
**Washington Geographic Breakdown**

Seattle-Bellevue-Everett MSA	48.5	3.5%
Tacoma MSA	5.1	1.9%
Spokane MSA	5.8	2.8%
Rest of WA	13.7	1.4%

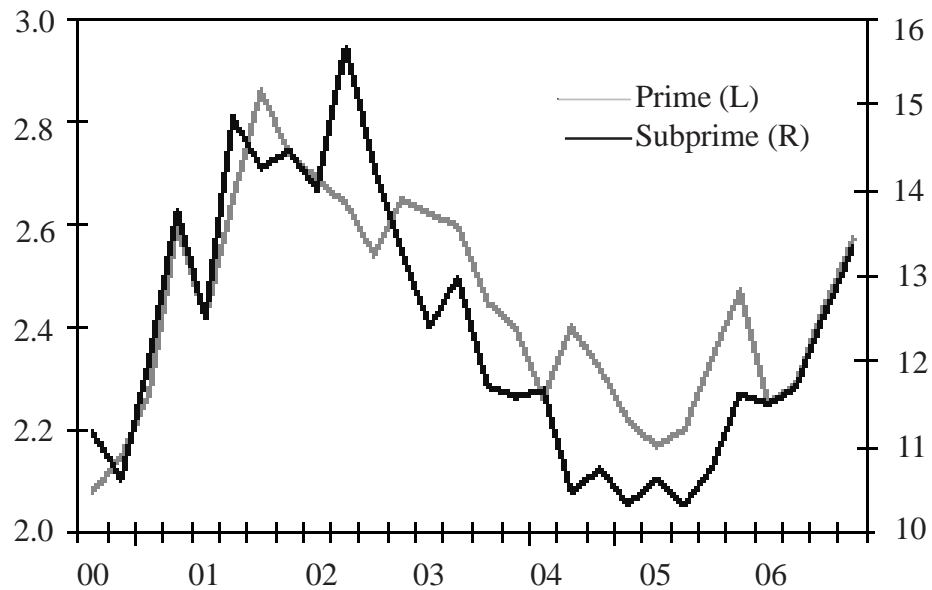
## Washington Housing Units Authorized by Building Permit



**Mortgage Credit Quality Heading South**  
**MBA mortgage delinquency rate, all loans, %**

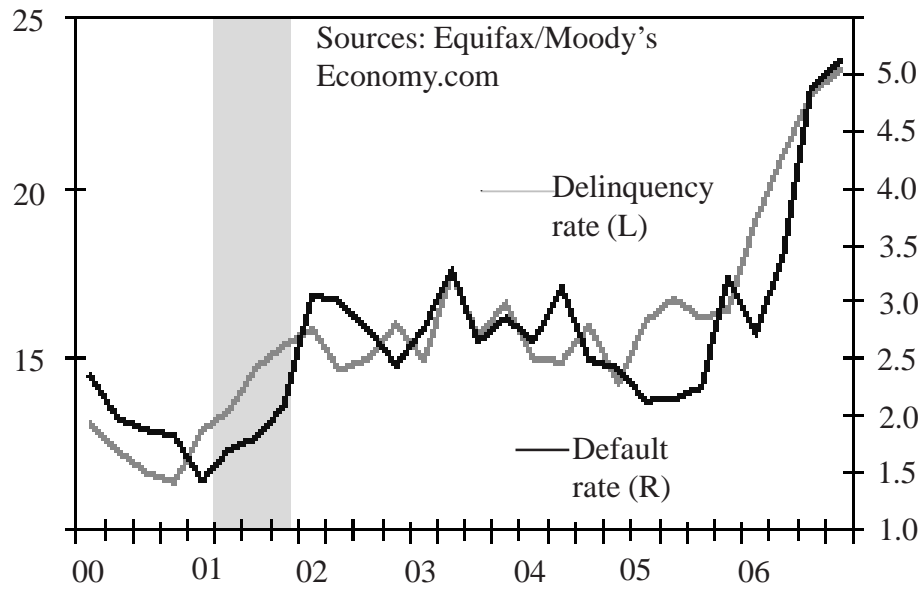


**Major Risk Lies in the Subprime Market**  
**MBA mortgage delinquency rate, all loans, %**

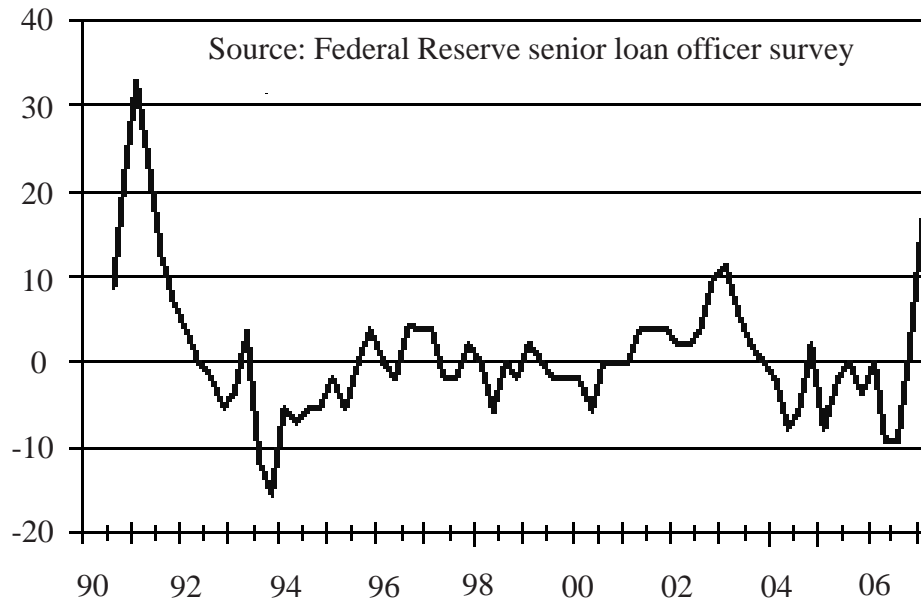


Source: Moody's Economy.com, DismalScientist, March 13, 2007.

**Mortgage Quality is Fast-Eroding**  
**% of subprime residential mortgage debt, \$**



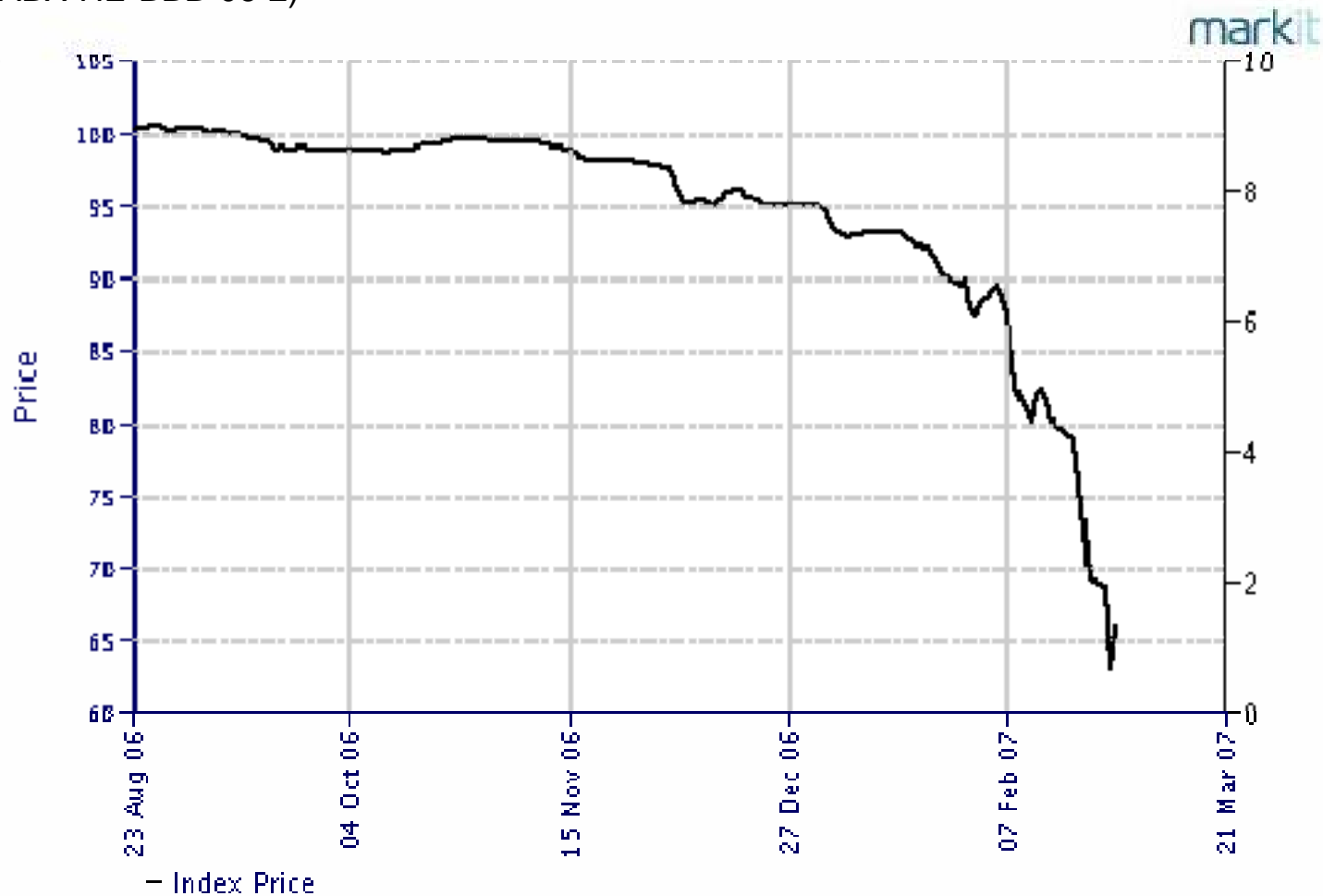
**Mortgage Lenders Tighten**  
**Net % of banks tightening mortgage loan standards**



Source: Moody's Economy.com, U.S. Macro Outlook, March 13, 2007.

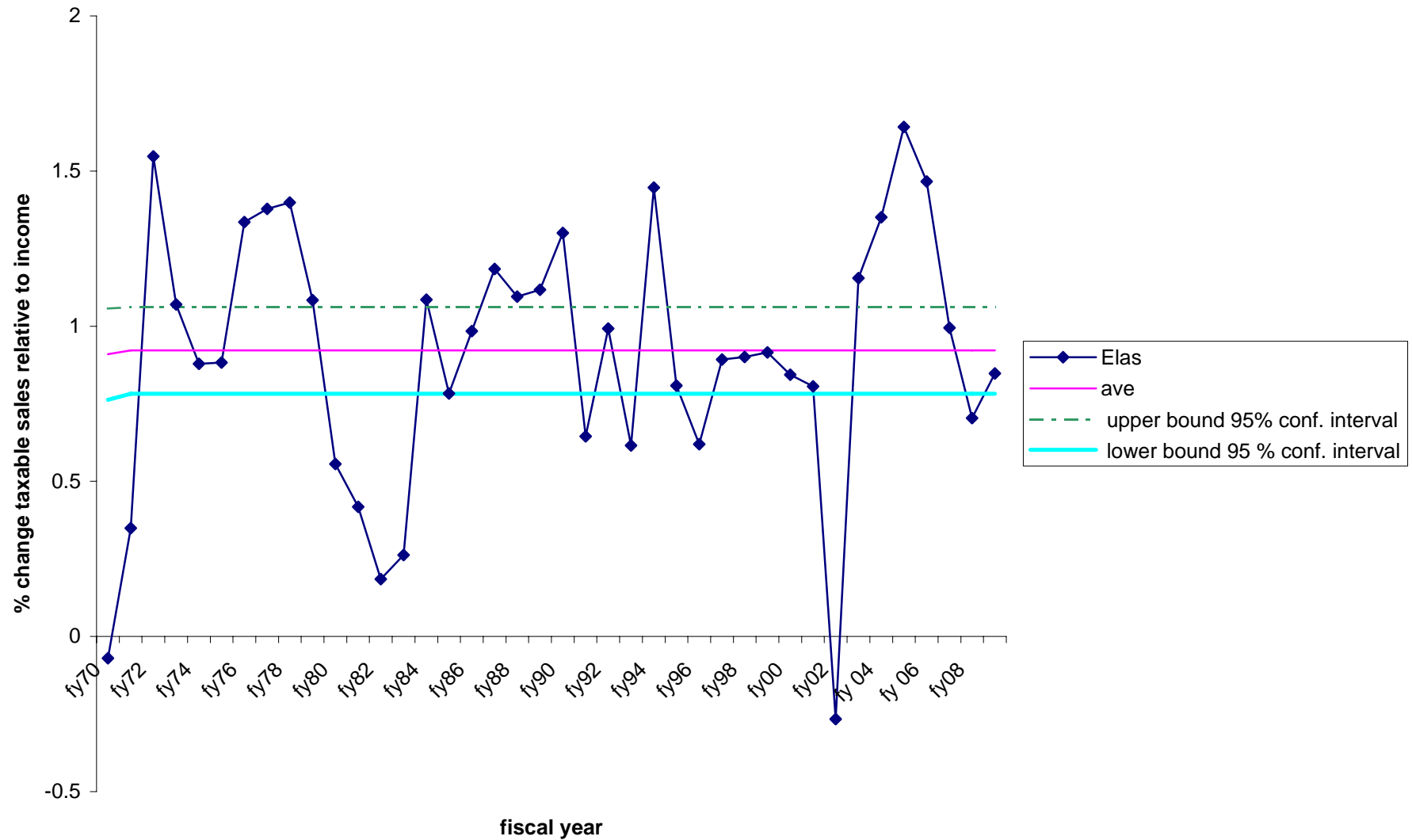
## Credit Default Swap Index for Subprime (BBB-rated) Mortgages Underwritten in First Half of 2006

(Markit ABX-HE-BBB-06-2)



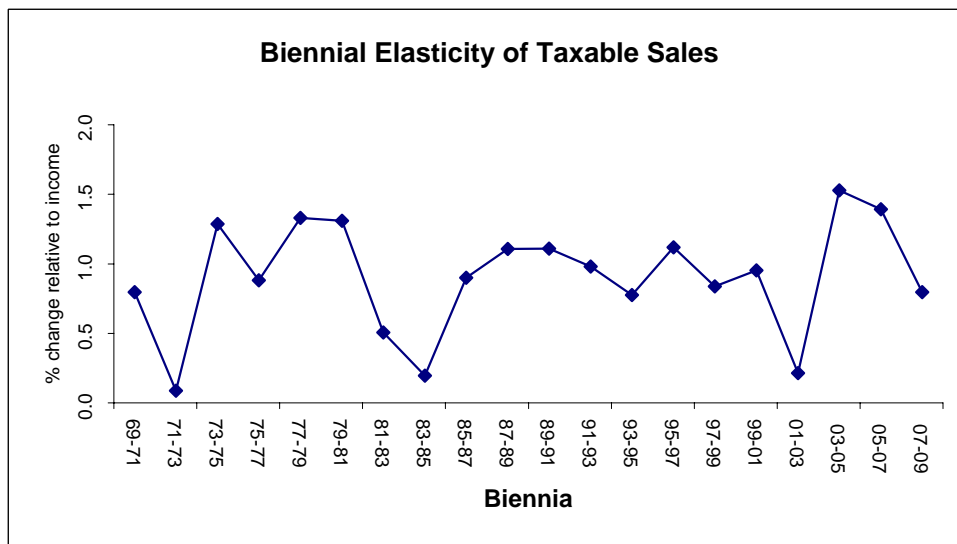
Source: Markit.com, 2007

## %Change of Taxable Sales\* Relative to Income



Biennial Elasticity  
Taxable Sales (adjusted)  
March 2007 Forecast

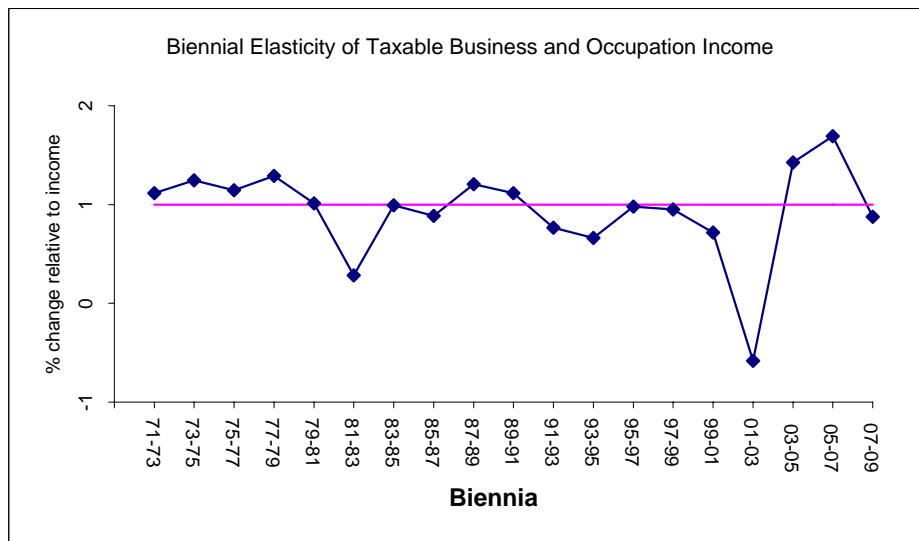
<u>Biennium</u>	<u>Elasticity</u>	<u>rank</u>
03-05	1.5	1
<b>05-07:Est.</b>	<b>1.4</b>	<b>2</b>
75-77	1.3	3
77-79	1.3	4
71-73	1.3	5
93-95	1.1	6
87-89	1.1	7
85-87	1.1	8
89-91	1.0	9
97-99	1.0	10
83-85	0.9	11
73-75	0.9	12
99-01	0.9	13
95-97	0.8	14
<b>07-09:Est.</b>	<b>0.8</b>	<b>15</b>
91-93	0.8	16
79-81	0.5	17
01-03	0.2	18
81-83	0.2	19
69-71	0.1	19



\*Percent change taxable sales (adjusted for major base changes) relative to percent changes in income.  
(Ave. of the elasticities of the fiscal years of the biennium. Based on the moving average of  
state disposable personal income (adjusted for special Microsoft dividend.)

**Biennial Elasticity**  
**Taxable Business and Occupation Income (adjusted)**  
**March 2007 Forecast**

<u>Biennium</u>	<u>Elasticity</u>	<u>rank</u>
<b>05-07: Est.</b>	<b>1.7</b>	<b>1</b>
03-05	1.4	2
77-79	1.3	3
73-75	1.2	4
87-89	1.2	5
75-77	1.1	6
71-73	1.1	7
89-91	1.1	8
79-81	1.0	9
83-85	1.0	10
95-97	1.0	11
97-99	1.0	12
85-87	0.9	13
<b>07-09: Est.</b>	<b>0.9</b>	<b>14</b>
91-93	0.8	15
99-01	0.7	16
93-95	0.7	17
81-83	0.3	18
01-03	(0.6)	19





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**General Fund-State**

Biennial Growth

March 2007 Forecast

General Fund-State Collection Growth <sup>1</sup>			Adjusted Growth Major Taxes <sup>2</sup>
Total GFS Current Dollars			2000 Chained Dollars
Biennia			
1971-73	10.9%		7.6%
1973-75	23.4%		8.7%
1975-77	43.1%		14.8%
1977-79	32.3%		23.6%
1979-81	19.3%		3.4%
1981-83	27.0%		-7.1%
1983-85	20.6%		3.4%
1985-87	16.7%		4.9%
1987-89	14.2%		9.9%
1989-91	21.7%		15.0%
1991-93	11.7%	10.3 *	4.5%
1993-95	11.5%	7.7 *	6.2%
1995-97	6.5%	10.6 *	6.0%
1997-99	11.2%	14.5 *	12.2%
1999-01	8.4%	12.0 *	7.6%
2001-03	-0.6%	1.9 *	-1.1%
2003-05	10.6%	10.3% *	9.1%
2005-07 <sup>F</sup>	17.6%	18.6% *	13.0%
2007-09 <sup>F</sup>	7.3%	6.8% *	5.9%

---

\* Growth adjusted for major non-economic changes.

1 Actual growth in Total General Fund-State tax receipts includes growth due to changes in tax rates, the tax base as well as administrative and accounting changes. Represents growth of revenue available for appropriation. Growth is affected by factors other than economic performance, hence the growth rates may not be comparable among biennia.

2 Estimated growth of six major taxes (sales, B&O, use, public utility, real estate excise, and property) on a tax liability basis, adjusted to a constant rate and base and adjusted for price changes. The growth rates in this column provide a measure of how revenue growth varies over time and with the economy.

F Forecast

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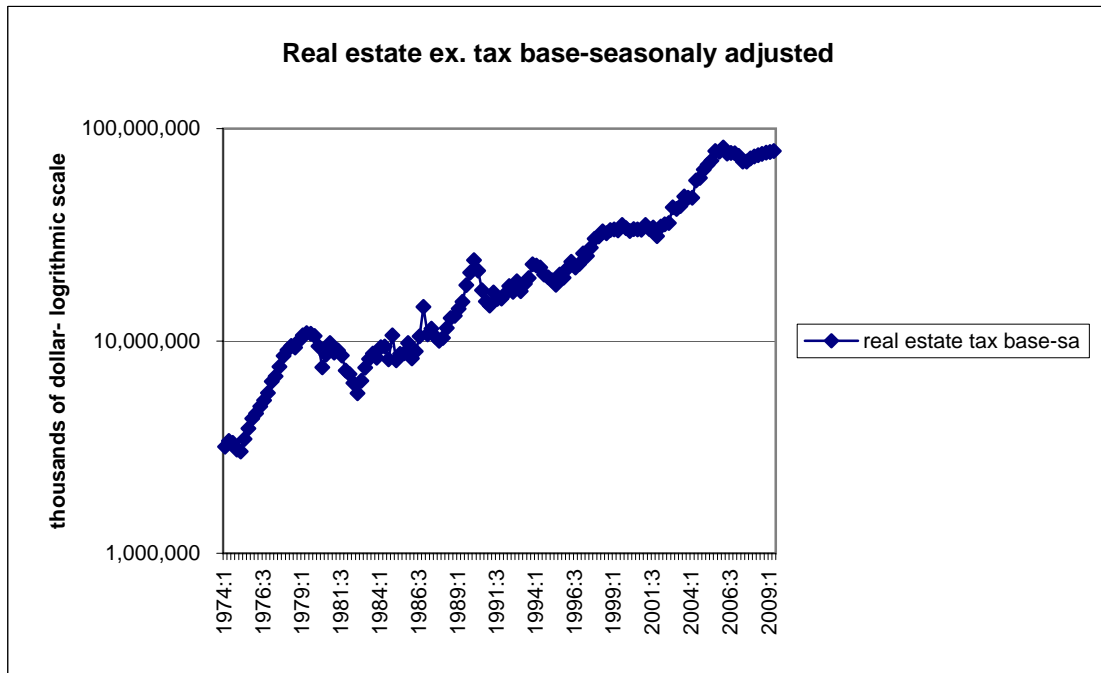
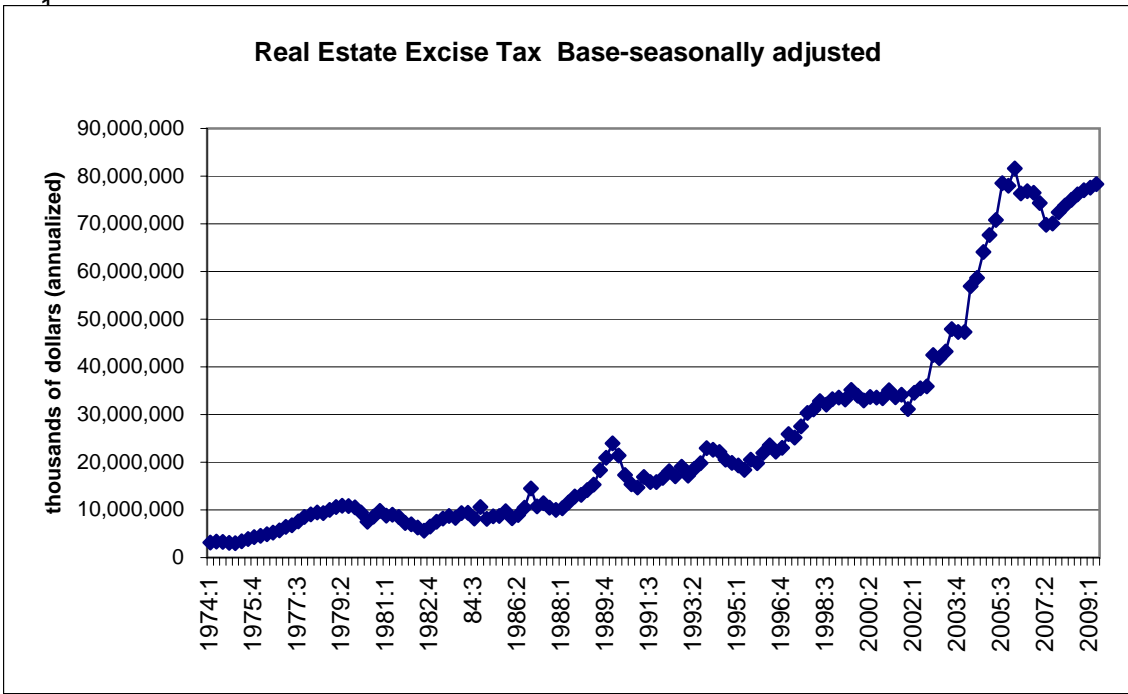
**Real Estate Excise Taxable activity, Number of Transactions, and Value per Transaction  
Statewide Total**

Taxable Real Estate Excise Activity-* (millions of dollars)																		
Month	1999	%ch	2000	%ch	2001	%ch	2002	%ch	2003	%ch	2004	%ch	2005	%ch	2006	%ch	2007	%ch
January	\$2,104.6	-1.9%	\$1,967.3	-6.5%	\$2,054.8	4.5%	\$2,157.2	5.0%	\$2,701.1	25.2%	\$2,694.1	-0.3%	\$4,159.1	54.4%	\$5,190.6	24.8%	\$4,910.4	-5.4%
February	2,120.5	17.5%	2,156.1	1.7%	1,889.4	-12.4%	2,160.8	14.4%	2,642.9	22.3%	2,850.8	7.9%	3,938.2	38.1%	4,850.8	23.2%	4,338.3	-10.6%
March	2,918.2	8.5%	2,857.5	-2.1%	3,582.7	25.4%	2,857.6	-20.2%	3,201.9	12.1%	4,201.9	31.2%	5,699.3	35.6%	6,444.7	13.1%		
April	2,837.8	5.8%	2,740.1	-3.4%	2,790.2	1.8%	3,005.5	7.7%	3,708.4	23.4%	4,865.3	31.2%	6,215.3	27.7%	6,181.0	-0.6%		
May	2,838.8	6.6%	3,151.2	11.0%	3,036.8	-3.6%	3,310.5	9.0%	4,071.6	23.0%	4,836.1	18.8%	6,211.1	28.4%	7,178.6	15.6%		
June	3,409.7	-6.8%	3,359.4	-1.5%	3,480.0	3.6%	3,542.8	1.8%	4,266.9	20.4%	6,241.5	46.3%	7,389.0	18.4%	8,063.7	9.1%		
July	3,403.7	5.9%	3,063.6	-10.0%	3,138.3	2.4%	3,357.1	7.0%	4,317.1	28.6%	5,563.2	28.9%	6,590.3	18.5%	6,847.3	3.9%		
August	3,142.7	6.8%	3,303.8	5.1%	3,497.2	5.9%	3,413.0	-2.4%	4,443.4	30.2%	5,361.4	20.7%	7,418.2	38.4%	7,488.3	0.9%		
September	3,001.0	16.0%	2,784.4	-7.2%	2,696.1	-3.2%	3,034.6	12.6%	4,266.9	40.6%	5,084.7	19.2%	7,400.2	45.5%	6,666.8	-9.9%		
October	2,763.0	-1.0%	2,805.9	1.6%	2,641.0	-5.9%	3,408.0	29.0%	4,572.9	34.2%	5,027.1	9.9%	6,717.3	33.6%	7,159.2	6.6%		
November	2,612.5	15.5%	2,444.9	-6.4%	2,264.3	-7.4%	3,065.2	35.4%	3,029.2	-1.2%	4,729.7	56.1%	5,931.7	25.4%	5,804.4	-2.1%		
December	2,829.0	-6.4%	2,822.4	-0.2%	2,649.8	-6.1%	3,849.5	45.3%	3,999.7	3.9%	5,882.3	47.1%	6,403.1	8.9%	5,714.3	-10.8%		
Total	33,982	4.7%	\$33,457	-1.5%	\$33,721	0.8%	\$37,162	10.2%	\$45,222	21.7%	\$57,338	26.8%	\$74,073	29.2%	\$77,590	4.7%		

Number of Transactions-**																		
Month	1999	%ch	2000	%ch	2001	%ch	2002	%ch	2003	%ch	2004	%ch	2005	%ch	2006	%ch	2007	%ch
January	19,791	7.2%	17,977	-9.2%	19,016	5.8%	21,126	11.1%	23,682	12.1%	20,584	-13.1%	24,913	21.0%	23,305	-6.5%	22,266	-4.5%
February	19,110	2.2%	18,865	-1.3%	18,079	-4.2%	20,692	14.5%	22,728	9.8%	22,175	-2.4%	23,544	6.2%	23,029	-2.2%	#N/A	#N/A
March	25,210	1.6%	24,792	-1.7%	24,432	-1.5%	24,258	-0.7%	26,787	10.4%	29,330	9.5%	32,925	12.3%	31,007	-5.8%		
April	25,131	-2.7%	22,048	-12.3%	23,615	7.1%	26,635	12.8%	28,553	7.2%	31,299	9.6%	31,369	0.2%	28,090	-10.5%		
May	24,329	1.0%	24,857	2.2%	25,782	3.7%	26,482	2.7%	29,148	10.1%	29,676	1.8%	33,158	11.7%	32,179	-3.0%		
June	27,055	-2.8%	25,973	-4.0%	26,591	2.4%	25,499	-4.1%	29,561	15.9%	34,480	16.6%	36,965	7.2%	33,948	-8.2%		
July	26,621	-2.1%	22,621	-15.0%	25,437	12.4%	26,397	3.8%	31,314	18.6%	32,840	4.9%	33,012	0.5%	27,765	-15.9%		
August	25,979	5.0%	25,269	-2.7%	27,089	7.2%	26,412	-2.5%	31,321	18.6%	32,088	2.4%	36,701	14.4%	33,008	-10.1%		
September	24,556	1.5%	22,234	-9.5%	21,793	-2.0%	24,414	12.0%	31,329	28.3%	30,282	-3.3%	33,718	11.3%	28,353	-15.9%		
October	23,420	-6.1%	23,428	0.0%	24,687	5.4%	27,395	11.0%	31,381	14.6%	29,491	-6.0%	31,797	7.8%	29,306	-7.8%		
November	21,350	-1.4%	20,078	-6.0%	21,225	5.7%	23,981	13.0%	22,917	-4.4%	27,690	20.8%	28,892	4.3%	24,826	-14.1%		
December	23,157	-12.8%	20,987	-9.4%	22,928	9.2%	27,895	21.7%	28,250	1.3%	29,635	4.9%	29,228	-1.4%	24,241	-17.1%		
Total	285,709	-1.1%	269,129	-5.8%	280,674	4.3%	301,186	7.3%	336,971	11.9%	349,570	3.7%	376,222	7.6%	339,057	-9.9%		

Value per Transaction-*** (thousands of dollars)																		
Month	1999	%ch	2000	%ch	2001	%ch	2002	%ch	2003	%ch	2004	%ch	2005	%ch	2006	%ch	2007	%ch
January	\$106.3	-8.6%	\$109.4	2.9%	\$108.1	-1.3%	\$102.1	-5.5%	\$114.1	11.7%	\$130.9	14.8%	\$166.9	27.6%	\$222.7	33.4%	\$220.5	-1.0%
February	111.0	15.0%	\$114.3	3.0%	\$104.5	-8.6%	\$104.4	-0.1%	\$116.3	11.4%	\$128.6	10.6%	\$167.3	30.1%	\$210.6	25.9%	#N/A	#N/A
March	115.8	6.7%	\$115.3	-0.4%	\$146.6	27.2%	\$117.8	-19.7%	\$119.5	1.5%	\$143.3	19.9%	\$173.1	20.8%	\$207.8	20.1%		
April	112.9	8.6%	\$124.3	10.1%	\$118.2	-4.9%	\$112.8	-4.5%	\$129.9	15.1%	\$155.4	19.7%	\$198.1	27.5%	\$220.0	11.1%		
May	116.7	5.5%	\$126.8	8.6%	\$117.8	-7.1%	\$125.0	6.1%	\$139.7	11.7%	\$163.0	16.7%	\$187.3	14.9%	\$223.1	19.1%		
June	126.0	-4.1%	\$129.3	2.6%	\$130.9	1.2%	\$138.9	6.2%	\$144.3	3.9%	\$181.0	25.4%	\$199.9	10.4%	\$237.5	18.8%		
July	127.9	8.1%	\$135.4	5.9%	\$123.4	-8.9%	\$127.2	3.1%	\$137.9	8.4%	\$169.4	22.9%	\$199.6	17.8%	\$246.6	23.5%		
August	121.0	1.6%	\$130.7	8.1%	\$129.1	-1.3%	\$129.2	0.1%	\$141.9	9.8%	\$167.1	17.8%	\$202.1	21.0%	\$226.9	12.2%		
September	122.2	14.3%	\$125.2	2.5%	\$123.7	-1.2%	\$124.3	0.5%	\$136.2	9.6%	\$167.9	23.3%	\$219.5	30.7%	\$235.1	7.1%		
October	118.0	5.5%	\$119.8	1.5%	\$107.0	-10.7%	\$124.4	16.3%	\$145.7	17.1%	\$170.5	17.0%	\$211.3	23.9%	\$244.3	15.6%		
November	122.4	17.2%	\$121.8	-0.5%	\$106.7	-12.4%	\$127.8	19.8%	\$132.2	3.4%	\$170.8	29.2%	\$205.3	20.2%	\$233.8	13.9%		
December	122.2	7.3%	\$134.5	10.1%	\$115.6	-14.1%	\$138.0	19.4%	\$141.6	2.6%	\$198.5	40.2%	\$219.1	10.4%	\$235.7	7.6%		
Total	\$118.9	5.9%	\$124.3	4.5%	\$120.1	-3.4%	\$123.4	2.7%	\$134.2	8.8%	\$164.0	22.2%	\$196.9	20.0%	\$228.8	16.2%		

\* Activity subject to the real estate excise tax as reported by counties- not seasonally adjusted. \*\*Total numer of transactions (including non taxable). \*\*\* Taxable activity divided by total transactions.



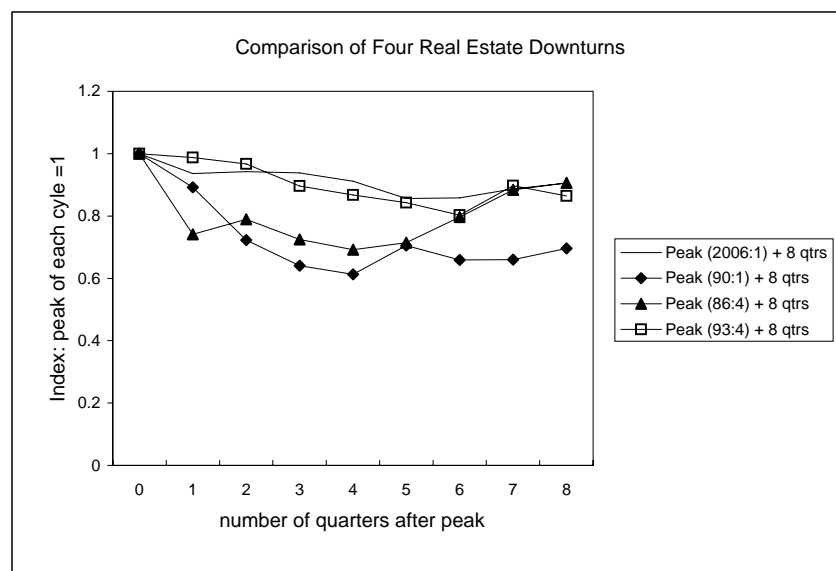
## Downturns of the Real Estate Excise Taxbase in the Last 25 years

<u>Period</u>	<u>Decline of Taxbase</u>	<u>Number of Qtrs</u>	<u>Peak to Trough Difference in Mtg rate</u>
Peak: 1979:2 Trough: 1980:2	-31.0%	4	3.7
Peak: 1980:4 Trough: 1982:3	-42.1%	7	1.9
Peak: 1986:4 Trough: 1987:4**	-30.8%	4	1.2
Peak: 1990:1 Trough: 1991:1	-38.8%	4	(0.6)
Peak: 1993:4 Trough: 1995:2**	-19.8%	6	0.9
Peak: 1999:3 Trough: 2001:4	-11.3%	9	(1.0)
<b>Average for all downturns</b>	<b>-29.0%</b>	<b>5.7</b>	<b>1.0</b>
<b>Ave.for non recession downturns**</b>	<b>-25.3%</b>	<b>5.0</b>	<b>1.0</b>

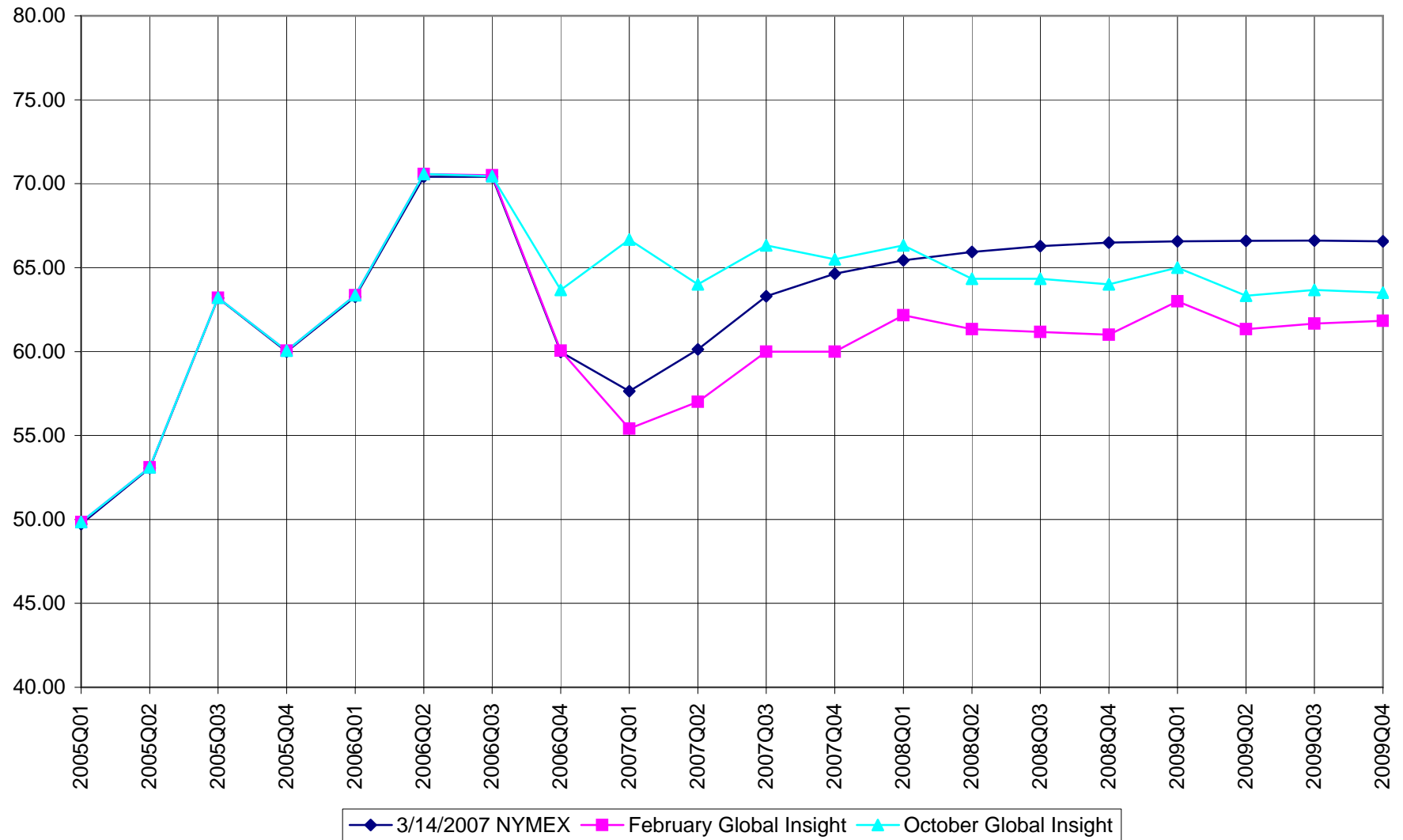
### March 2007 Forecast

Peak: 2006:1 Trough: 2007:2	-14.4%	-	0.1
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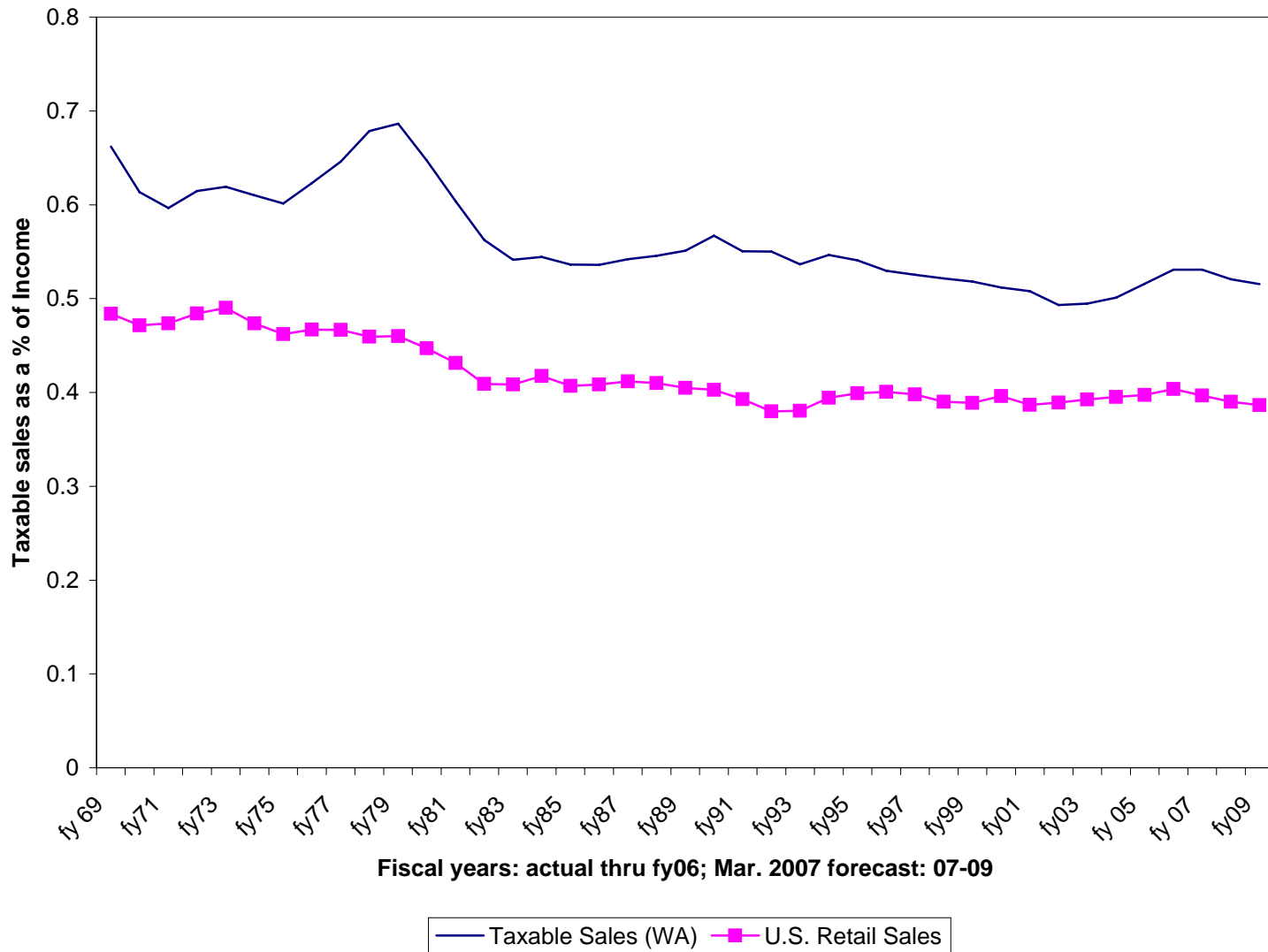
\*\*Non recession downturns



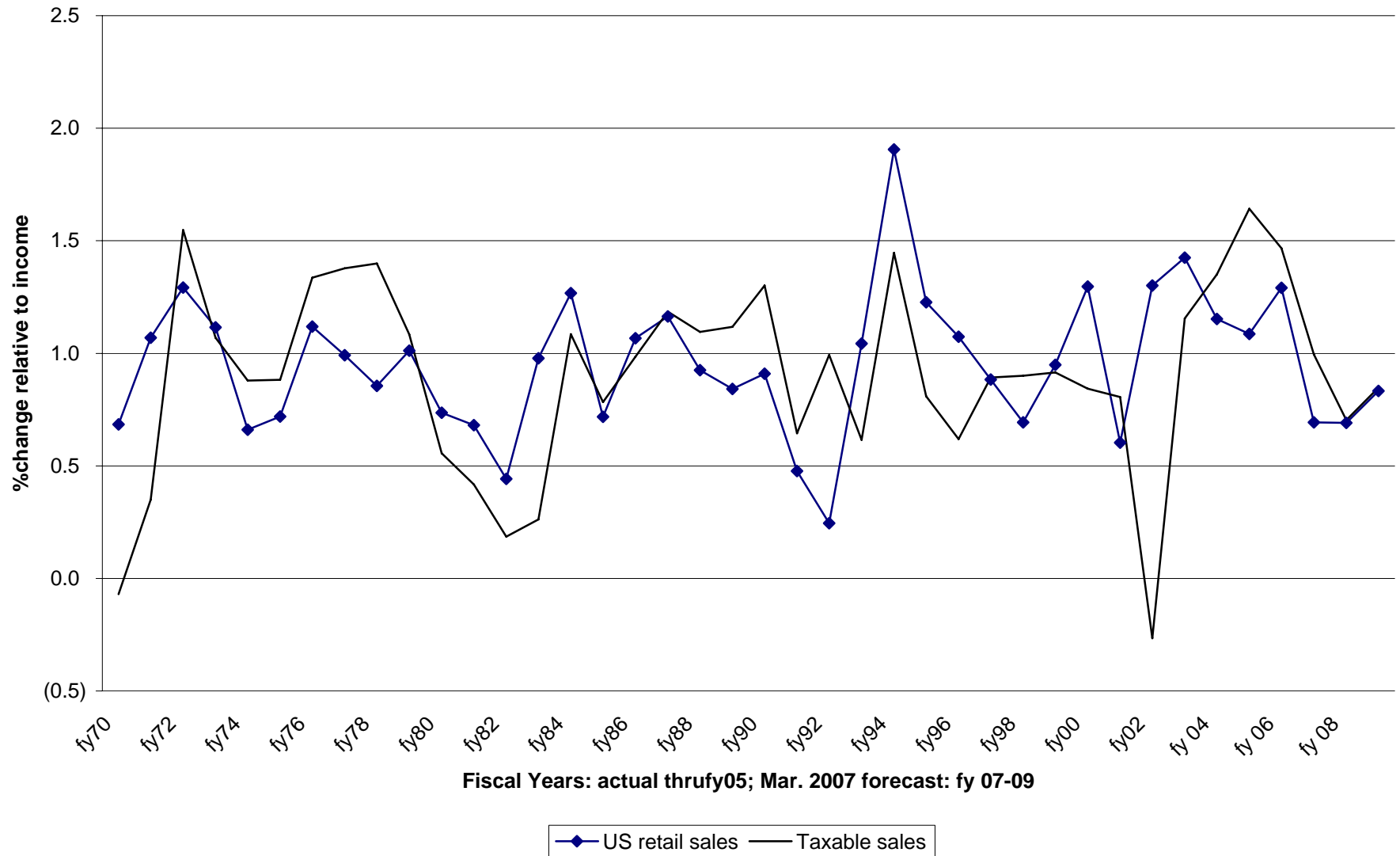
## WTI Oil Price Forecasts



### Taxable Sales (WA) and U.S. Retail Sales as a % of Income

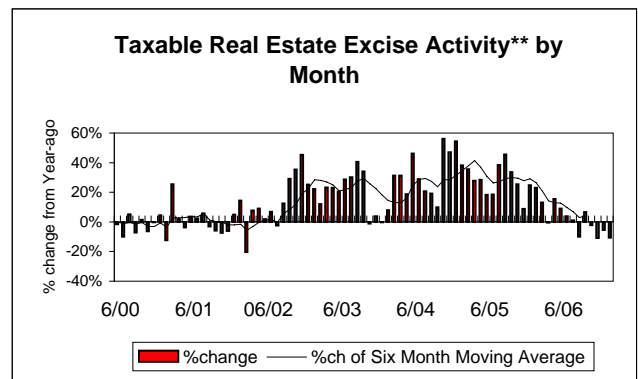
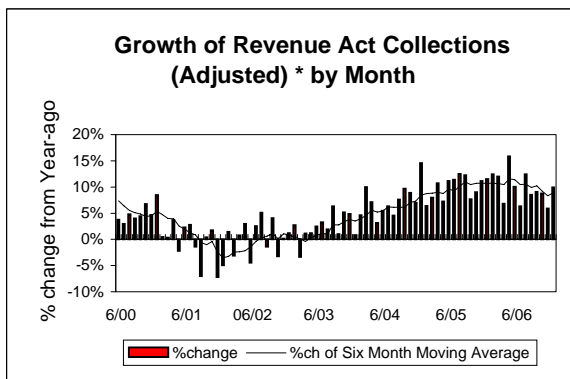


## Elasticity: Taxable Sales (WA) and U.S. Retail Sales



## Pattern of Monthly Growth in Major Revenue Sources

	Year-over-Year Percent Change Revenue Act*	Real Estate Excise Tax**
Oct. 2005	7.6%	33.6%
Nov. 2005	9.0%	25.4%
Dec. 2005	11.1%	8.9%
Jan. 2006	11.5%	24.8%
Feb. 2006	12.4%	23.2%
Mar. 2006	12.0%	13.1%
April 2006	6.8%	-0.6%
May 2006	15.9%	15.6%
June 2006	10.0%	9.1%
July 2006	6.3%	3.9%
August 2006	12.4%	0.9%
Sept. 2006	8.5%	-9.9%
Oct 2006	9.0%	6.6%
Nov 2006	8.8%	-2.1%
Dec 2006	5.9%	-10.8%
Jan 2007	9.9%	-5.4%
Feb 2007	na	-10.6%





## General Fund - State Cash Receipts

March 2007 Forecast by Fiscal Year  
(Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
<b>Fiscal Years</b>		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,803.5	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
2005	12,067.3	6.6%
2006	13,328.8	10.5%
<b>Forecast</b>		
2007	14,181.3	6.4%
2008	14,398.9	1.5%
2009	15,116.7	5.0%

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**General Fund-State And Near General Fund-State\***  
**November 2006 and September 2006 Forecast**  
**2005-07 & 2007-09 Biennia**  
**Millions of dollars**

	<b>2005-07 Biennium</b>			<b>2007-09 Biennium</b>			<b>Change From 2005-07</b>	
	<u>Nov. 2006 Forecast</u>	<u>March 2007 Forecast</u>	<u>Difference</u>	<u>Nov. 2006 Forecast</u>	<u>March 2007 Forecast</u>	<u>Difference</u>	<u>Amount</u>	<u>Percent</u>
General Fund-State	\$ 27,365.8	\$ 27,510.1	\$ 144.3	\$ 29,533.3	\$ 29,515.5	(\$17.8)	\$2,005.4	7.3%
Near General Fund*								
Health Services Account	1,185.6	1,180.1	(5.5)	1,227.6	1,223.7	(3.9)	43.6	3.7%
Violence Reduction and Drug Enforce.Acct.	105.8	102.6	(3.2)	106.6	105.9	(0.7)	3.3	3.2%
Water Quality Account	55.7	54.7	(1.0)	91.0	92.0	1.0	37.3	68.1%
Student Achievement Account	491.8	491.8	(0.0)	503.3	503.4	0.1	11.6	2.4%
Public Safety and Education Account	171.1	173.0	1.8	190.3	194.3	4.0	21.3	12.3%
Total Near GF	2,010.1	2,002.2	(7.9)	2,118.8	2,119.2	0.5	117.0	5.8%
Total GF and Near GF	\$ 29,375.9	\$ 29,512.3	\$ 136.4	\$ 31,652.0	\$ 31,634.7	(17.3)	2,122.5	7.2%

\*Cash forecast

General Fund-State and Near General Fund  
History/Forecast by Fiscal Year  
March 2007 - Millions of Dollars

	General Fund-State		Near General Fund		GFS and Near GFS	
	Level	% Change	Level	% Change	Level	% Change
fiscal 1995	8,551.3		not available		not available	
fiscal 1996	8,581.2	0.3%	not available		not available	
fiscal 1997	9,056.6	5.5%	not available		not available	
fiscal 1998	9,640.9	6.5%	not available		not available	
fiscal 1999	9,979.2	3.5%	not available		not available	
fiscal 2000	10,433.2	4.5%	not available		not available	
fiscal 2001	10,828.9	3.8%	not available		not available	
fiscal 2002	10,450.7	-3.5%	not available		not available	
fiscal 2003	10,689.9	2.3%	not available		not available	
fiscal 2004	11,321.2	5.9%	not available		not available	
fiscal 2005	12,067.3	6.6%	not available		not available	
fiscal 2006	13,328.8	10.5%	988.8		14,317.6	
fiscal 2007	14,181.3	6.4%	1,013.4	2.5%	15,194.7	6.1%
fiscal 2008	14,398.9	1.5%	1,043.4	3.0%	15,442.3	1.6%
fiscal 2009	15,116.7	5.0%	1,075.8	3.1%	16,192.4	4.9%

# Washington Exports By Industry

All Industries

Millions of Dollars

Ranked by 2006 Q4 Exports

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2005 Q4	2006 Q4	97-98 % Chg	98-99 % Chg	99-00 % Chg	00-01 % Chg	01-02 % Chg	02-03 % Chg	03-04 % Chg	04-05 % Chg	05-06 % Chg	05Q4 -06Q4 % Chg
<b>Total All Industries</b>	<b>32,752</b>	<b>38,249</b>	<b>36,731</b>	<b>32,215</b>	<b>34,929</b>	<b>34,627</b>	<b>34,173</b>	<b>33,793</b>	<b>37,948</b>	<b>53,075</b>	<b>10,307</b>	<b>15,080</b>	<b>16.8</b>	<b>-4.0</b>	<b>-12.3</b>	<b>8.4</b>	<b>-0.9</b>	<b>-1.3</b>	<b>-1.1</b>	<b>12.3</b>	<b>39.9</b>	<b>46.3</b>
<b>Total Excluding Transportation Equip.</b>	<b>13,041</b>	<b>10,518</b>	<b>10,924</b>	<b>12,039</b>	<b>12,188</b>	<b>11,249</b>	<b>13,734</b>	<b>16,106</b>	<b>17,454</b>	<b>19,398</b>	<b>4,844</b>	<b>5,162</b>	<b>-19.3</b>	<b>3.9</b>	<b>10.2</b>	<b>1.2</b>	<b>-7.7</b>	<b>22.1</b>	<b>17.3</b>	<b>8.4</b>	<b>11.1</b>	<b>6.6</b>
Transportation Equipment	19,711	27,731	25,807	20,175	22,740	23,377	20,438	17,686	20,494	33,677	5,462	9,919	40.7	-6.9	-21.8	12.7	2.8	-12.6	-13.5	15.9	64.3	81.6
Agricultural Products	2,890	1,673	1,721	1,937	2,312	2,094	3,333	4,181	4,231	4,576	1,296	1,398	-42.1	2.8	12.6	19.4	-9.4	59.2	25.4	1.2	8.2	7.9
Computer and Electronic Products	1,658	1,562	1,617	2,174	2,229	1,958	2,354	2,746	2,846	3,097	807	850	-5.8	3.6	34.4	2.6	-12.2	20.2	16.7	3.6	8.8	5.3
Machinery, except Electrical	930	902	1,019	1,002	980	800	839	1,031	1,538	1,935	408	476	-3.0	13.0	-1.7	-2.2	-18.3	4.9	22.9	49.2	25.8	16.6
Food and Kindred Products	1,070	1,021	1,056	1,174	1,276	1,278	1,602	1,585	1,597	1,562	404	421	-4.6	3.5	11.1	8.7	0.2	25.4	-1.1	0.8	-2.2	4.2
Primary Metal Manufacturing	671	512	544	579	365	287	396	566	731	930	198	222	-23.7	6.1	6.5	-37.1	-21.2	37.9	42.9	29.0	27.2	12.0
Petroleum and Coal Products	353	315	370	325	486	539	737	955	1,114	1,243	293	212	-10.8	17.5	-12.2	49.6	10.9	36.7	29.6	16.7	11.6	-27.8
Miscellaneous Manufactured Commodities	273	301	331	356	345	290	314	373	386	497	142	203	10.3	9.9	7.7	-3.2	-16.0	8.3	18.7	3.5	28.7	42.4
Paper	900	835	901	1,044	882	817	831	866	967	885	229	202	-7.2	8.0	15.8	-15.5	-7.4	1.7	4.2	11.6	-8.5	-11.8
Chemicals	647	448	525	503	549	637	614	634	604	683	187	173	-30.8	17.2	-4.2	9.0	16.2	-3.7	3.2	-4.7	13.0	-7.5
Fish, Fresh, Chilled, or Froz. & Oth. Marine Prod.	491	420	433	511	640	512	534	565	554	610	163	167	-14.5	3.0	18.1	25.1	-19.9	4.3	5.7	-1.9	10.1	2.3
Electrical Equip., Appliances, & Component	238	232	251	266	260	270	288	373	466	579	134	155	-2.6	8.1	6.2	-2.1	3.5	7.0	29.3	24.9	24.4	15.5
Waste and Scrap	118	96	85	105	109	108	197	290	402	531	96	134	-18.5	-11.0	22.5	4.3	-1.0	82.3	47.4	38.8	32.0	39.9
Forestry Products	817	583	564	596	436	387	358	461	438	433	116	116	-28.7	-3.3	5.7	-26.9	-11.3	-7.5	28.9	-5.0	-1.2	0.2
Wood Products	641	451	452	429	360	324	343	350	380	378	90	95	-29.6	0.1	-5.1	-16.1	-9.9	5.9	1.8	8.6	-0.4	6.3
Fabricated Metal Products	213	207	178	162	170	164	201	265	264	310	67	78	-2.7	-14.1	-8.9	4.7	-3.1	22.2	32.0	-0.4	17.3	16.4
Plastics and Rubber Products	136	147	156	160	141	132	137	167	189	245	43	64	8.1	6.5	2.7	-12.2	-6.3	4.2	21.8	13.1	29.5	47.2
Special Classification Provisions	401	330	236	177	148	185	134	149	130	123	32	42	-17.6	-28.4	-25.4	-16.0	24.7	-27.6	11.6	-13.1	-5.0	30.6
Minerals and Ores	39	23	23	34	37	24	21	46	71	137	24	35	-41.3	2.4	46.8	7.1	-34.5	-11.6	117.8	53.5	91.8	45.6
Nonmetallic Mineral Products	54	48	53	57	65	64	89	97	106	173	27	33	-12.1	10.3	7.6	14.9	-1.2	38.9	8.6	9.7	62.2	20.0
Livestock and Livestock Products	70	66	75	113	110	93	88	110	116	131	13	16	-4.6	12.4	51.1	-2.8	-15.1	-5.0	24.9	5.3	12.3	17.0
Textile Mill Products	25	28	33	34	34	38	49	69	78	70	19	16	14.8	17.6	2.9	-0.1	10.5	30.9	40.5	11.8	-10.1	-18.2
Printing, Publishing and Similar Products	77	77	71	66	41	42	38	33	40	41	12	10	0.2	-7.9	-6.1	-38.2	2.1	-9.2	-14.0	21.6	3.4	-16.0
Furniture and Fixtures	26	23	23	34	25	17	20	22	25	27	6	8	-9.9	1.7	46.4	-25.9	-31.6	15.4	8.9	13.6	8.5	33.7
Beverages and Tobacco Products	42	43	46	31	28	22	29	19	28	30	8	8	2.2	6.1	-33.1	-8.3	-20.0	29.4	-34.6	46.8	7.9	-0.3
Textiles and Fabrics	14	14	16	20	18	24	17	19	22	26	6	7	-1.2	17.3	24.8	-10.6	33.8	-30.4	15.0	11.9	21.4	21.4
Used or Second-Hand Merchandise	25	19	16	27	15	19	46	30	34	40	9	7	-24.1	-16.3	68.1	-45.1	26.1	145.9	-36.1	14.4	18.0	-24.4
Apparel and Accessories	29	22	22	35	41	34	24	38	29	30	7	6	-26.6	3.5	56.8	16.9	-18.2	-29.8	60.7	-23.0	3.7	-12.7
Oil and Gas	61	16	5	10	7	6	22	11	40	53	1	4	-74.1	-66.8	90.8	-34.1	-7.0	263.6	-52.8	282.4	30.1	606.1
Leather and Allied Products	25	18	22	13	11	11	12	15	15	14	3	3	-25.9	23.2	-40.6	-17.4	1.6	8.0	21.9	3.5	-6.3	-15.8
Goods Ret. to Canada (exports only); US goods	109	87	78	65	70	72	62	35	3	3	1	1	-19.8	-9.8	-16.8	7.4	3.3	-14.9	-42.7	-92.6	21.1	28.8
Prepackaged Software	NA	NA	NA	NA	NA	NA	3	6	9	6	3	1	NA	NA	NA	NA	NA	NA	104.3	59.9	-33.2	-63.4

## Risks to the Forecast

Optimistic (25% Probability).

Strong productivity growth enables strong real growth without accelerating inflation.

U.S.

- Stronger productivity growth
- Stronger foreign economic growth
- Stronger dollar
- Stronger business investment
- Lower federal government budget deficits
- Stronger housing starts
- Lower energy prices

Washington

- Stronger population growth
- Stronger aerospace employment growth
- Stronger software employment growth
- Stronger construction employment growth
- Stronger wage growth
- Higher local inflation
- Higher personal income

Pessimistic (25% Probability).

Rising inflation produces monetary crackdown and slow real growth.

U.S.

- Less excess capacity globally and in the U.S.
- Weaker dollar
- Higher interest rates
- Higher energy prices
- Higher inflation
- Larger federal deficit
- Deeper housing downturn

Washington

- Weaker population growth
- Weaker aerospace employment growth
- Weaker software employment growth
- Weaker construction employment growth
- Weaker wage growth
- Lower local inflation
- Lower personal income